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ABSTRACT

The purpose of this study was to examine the conditions, financial and otherwise, of New York State's private institutions of higher education, and to recommend measures the state can take to preserve the strength and vitality of these institutions without infringing on their freedom. After a brief review of the history of New York private institutions, their present conditions are discussed: finances; management, with some indication that large universities seem to be in worse condition than smaller ones partly because of shortcomings in management, control, and planning; the impact of the Scholar Incentive Program which has not proved to be of significant benefit to private institutions; enrollment, which continues to rise, though not as rapidly as in the public sector; and their planning effort, which includes the role of the Regents with respect to statewide planning and coordination. Recommendations follow on: (1) improving statewide planning and coordination; and (2) the need for limited direct state aid to private institutions. The constitutional question is considered, the conditions for state support suggested, and an aid program proposed. The appendices include numerous tables with statistical and financial data. (AF)

"to preserve the strength and vitality
of our private and independent
institutions of higher education
. . . yet keep them free"

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New York State and Private Higher Education

Report of the Select Committee on the
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in New York State/1968

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Select Committee on the Future of
Private and Independent Higher Education
in New York State ■ Jointly Appointed by Governor Nelson A. Rockefeller and Chancellor Edgar W. Couper of the Board of Regents

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The Honorable Nelson A. Rockefeller
Governor
State of New York

The Honorable Edgar W. Couper
Chancellor
Board of Regents
State of New York

Gentlemen:

We are pleased to submit herewith the report of your Select Committee on the Future of Private and Independent Higher Education in New York State.

When we accepted your invitation to serve last spring you called upon us to advise "how the state can help preserve the strength and vitality of our private and independent institutions of higher education, yet at the same time keep them free." As we have pursued our inquiries we have become increasingly aware of the delicate balance of assistance and restraint which the achievement of such a goal requires. Our recommendations are aimed at strengthening that balance by providing state aid while, at the same time, protecting institutional independence through procedural safeguards.

We began our inquiry in the face of a widespread belief that private higher education, in New York as elsewhere, faced an immediate financial crisis of disastrous proportions. We have not been able to substantiate this notion; and indeed one of our more important findings is that no one really knows precisely the exact financial condition of New York's private colleges and universities. Our own best judgment is that their needs are real and important but in most cases not desperate. We think that they may face a combined annual deficit of $20 to $25 million within the next three or four years, and that they probably have a combined backlog of deferred maintenance of $45 to $55 million more. We reach these conclusions after due provision for continuing efforts on the part of these institutions to strengthen their financial position by all conventional means.

From this conclusion and on the other evidence before us we reach a series of recommendations which fall under the following four general classes:

First: Our unanimous recommendation is that the moderate but real level of present need now calls for direct assistance from New York State to private colleges and universities. We think it clear that the value of these institutions to New York is so great that such assistance is justified. And we believe that without it there is likely to be serious deterioration in one of the state's great assets—her remarkable array of strong and diversified private colleges and universities.

Second: This central recommendation has required us to face up to the question of the present constitutional prohibition upon direct assistance to institutions which have any significant religious affiliation. We have examined this question with particular care and again we have reached a unanimous recommendation: that insofar as it affects four-year colleges and universities, the State Constitution should be amended to conform to the Federal model. In reaching this conclusion we are governed by our conviction that in the field of the higher learning there is no virtue in testing educational quality by the presence or absence of a religious connection. We recognize that in New York State this has been a hotly controversial issue for many years, but we venture to ask for careful consideration of the extended argument which we present on this hard question.

Third: We recommend that the existing responsibilities and powers of the Board of Regents be reconfirmed, and reinforced by strengthening the staff of the State Department of Education. The Regents are the senior educational authority of the state and we believe any system of direct aid to private institutions will require reinforcement of this authority so as both to strengthen statewide educational planning and to insure the maintenance of proper standards of quality in all state-aided institutions. We also strongly believe that the Board of Regents, and not the state legislature or the Office of the Governor, should be the proper authority in Albany for reflecting the concerns of private colleges and universities. The legislature and the Governor have ultimate fiscal responsibility, but basic educational responsibility belongs to the Regents, and their capacity to meet this responsibility must be strengthened.

Fourth: Both private institutions and the Board of Regents should take steps to develop a much stronger base of information and reporting upon which statewide educational decisions can be based. We see a particular importance here in the emerging Commission on Independent Colleges; this Commission, if it is adequately supported by major private institutions, can become an important force for effective reporting in the interest of all concerned.

We would emphasize that our basic recommendations in these four areas are interdependent. We would not recommend direct assistance or constitutional reform if the Board of Regents were not given the necessary strength for effective review and quality control. We would not recommend reinforcement of the Regents if we did not also believe in the necessary executive leadership of the Governor's Office, and the representative role of the legislature.

Finally, we should emphasize that in reaching these conclusions on the needs of private institutions we have been constantly mindful of the remarkable progress which New York State has made in recent years in strengthening both the State University of New York and the City University of New York. We believe that the progress of these public institutions should be energetically sustained by the authorities of New York State and we would warn most strongly against any revival of earlier destructive rivalries between different kinds of institutions. We believe instead that New York has now an opportunity to maintain and to strengthen a balanced system of public and private institutions which may well be a model to the nation. It is in that spirit that we present our report.

The Committee has enjoyed its work and we are grateful to you both for your invitation to consider these questions and for the unstintingly generous support which we have received from you and from all concerned in the government of the state.

Yours very truly,

McGeorge Bundy, *Chairman*
James Bryant Conant
John A. Hannah
Theodore M. Hesburgh
Abram L. Sachar

Acknowledgments

A study such as this could not have been completed without the kind help of many knowledgeable persons interested in the future of all of higher education. Outstanding among those to whom the Select Committee is indebted are the presidents and other officials of the private colleges and universities located in New York State. Their cooperation and views were warmly welcomed. We are particularly indebted to the officials of the 29 institutions who consented to participate in more detailed studies of the current financial condition of their institutions.

We also appreciate the assistance of Commissioner James E. Allen, Jr.; Dr. Paul G. Bulger, Associate Commissioner for Higher and Professional Education; Dr. Robert H. McCambridge, Assistant Commissioner for Higher Education Planning; Irwin K. French, Director of the Office of Administrative Services in Higher Education; Dr. John J. Stiglmeier, Chief of the Bureau of Statistical Services; and the many other professional staff members of the State Education Department who provided us with essential data. Miss Edith T. Baikie of the Governor's staff was unfailingly helpful.

The Committee was most fortunate in its arrangement with Nelson Associates, Inc. for professional staff services, including overall responsibility for the conduct of the inquiry, supervision of subcontracts and the preparation of the report. Special thanks are due Charles A. Nelson for his constant personal involvement in all aspects of the study and also to his colleagues William G. Thaler, Richard A. Knoller and Mrs. Mary Ellen Goodman.

A number of specialists in several fields contributed substantially to our work. Daniel D. Robinson, partner of Peat, Marwick, Mitchell & Co., and his staff assisted in the analysis of the financial condition of selected institutions, while Roger Taylor and his associates of Taylor, Lieberfeld and Heldman, Inc. undertook a study of the condition of physical facilities. Vincent Checchi and the staff of Checchi and Company conducted specialized economic studies. Maximilian Kempner, Esq. of the firm of Webster Sheffield Fleischmann Hitchcock & Brookfield served as legal counsel to the Committee.

Other specialists included C. George Lind, statistician of the Reference, Estimates and Projections Branch, other personnel at the U.S. Office of Education, at the American Council on Education, and at the American Association of University Professors, who provided us with essential information concerning higher education in other states; Dr. Fred D. Boercker of the National Research Council who made available his findings of graduate student mobility patterns; and Lester W. Ingalls of the Association of Colleges and Universities of the State of New York,

who provided us with statistical data and information concerning the private institutions within the state.

Special mention should be made of Dr. Samuel B. Gould, Chancellor of the State University of New York; Dr. Albert H. Bowker, Chancellor of the City University of New York; Martin Meyerson, President of the State University of New York at Buffalo; and of the many State University and City University officials and administrative personnel who cooperated fully in helping us to obtain a greater understanding of current problems in higher education, both private and public.

We are particularly grateful to G. H. Griffiths who so unstintingly assisted the Select Committee and its staff in a wide variety of ways from the very beginning of our inquiries.

McGeorge Bundy

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Chapter 1/Introduction

In 1754 George II granted a charter to a group of New York citizens for the founding of King's College (now Columbia University), dedicated to instruction in "the Learned Languages and the Liberal Arts and Sciences."

For all but a small fraction of the more than two centuries that have since elapsed, the primary responsibility for higher education in New York State has been assumed by its private colleges and universities. There was modest evidence of interest in state-supported institutions beginning with the establishment of the first state normal school in Albany in 1844. However, even as late as 1911 the public institutions numbered only sixteen—ten teachers colleges, two municipal colleges and four contract colleges located in and managed by private universities: the Schools of Agriculture and Veterinary Medicine at Cornell, of Forestry at Syracuse, and of Ceramics at Alfred.

Scholarship aid as an appropriate expression of state interest made its appearance early in the present century. A scholarship plan offering $100 a year (then the average full tuition cost) for four years to 3,000 students was instituted in 1913 accompanied by the observation of Augustus Downing, Assistant Commissioner for Higher Education, that this would "forever set at rest the question of a State University of New York, and, at the same time, provide for the people of the state all the benefits of a State University on a liberal basis and at a minimum cost." For some 20 years thereafter the state contribution to higher education consisted solely of this $300,000 annual scholarship grant, plus tuition-free education for students at the state-supported specialized schools. In 1934 these schools enrolled a total of 10,000 students and the entire state budget for higher education was $4.972 million.

The developments which led to the radically changed situation we know today date essentially from 1946. In that year Governor Thomas E. Dewey and the legislature appointed a commission headed by Regent Owen D. Young to inquire into the "need, feasibility and cost of a State University." Following the recommendation of this commission, the state legislature, in 1948, established the State University of New York. Initially the state normal schools, agricultural and technical schools, and the contract colleges were made constituent units of the university under a 15-man Board of Trustees appointed by the Governor.

This was a beginning, but truly dramatic change did not come for another decade. There then developed a new combination of energy in Albany and of acquiescence and even support among the formerly hostile private institutions. Three landmarks along this road are: the Heald report of 1960; the naming of

Dr. Samuel B. Gould as Chancellor of the State University in 1964; and the continuing willingness of Governor Rockefeller to recommend and the legislature to appropriate substantial sums for expanding the state system. Each of these deserves comment.

The Heald report, like this one, was commissioned by the Governor and the Board of Regents. Its mandate was to make recommendations covering the whole of the state's responsibilities toward higher education. While the Heald report did not neglect the private sector, it did give vigorous endorsement to the "realigning of higher education responsibilities" in New York and expressly urged the expansion, strengthening and upgrading of the State University. The basic recommendation was promptly and firmly accepted by the Governor and the Regents.

It then became a question of the right man and adequate sums of money. The first need was met by the appointment of Dr. Gould, an educator seasoned in the problems and opportunities of both public and private institutions and able to offer vigorous leadership.

The legislature clearly took due account of the new currents running in higher education generally and of the prospects for New York held out by the Heald recommendations, the specific plans of Chancellor Gould, and also the reorganization of the City University under the new leadership of Chancellor Albert H. Bowker. The unprecedented sums of money the legislature was willing to appropriate were an absolutely necessary condition of the total development.

The full range of the state's present contribution to higher education includes not only the direct support to the State and City universities but a system of student aid in the form of scholarships, Scholar Incentive grants, and loans, which is unmatched elsewhere in the country. In addition there are the Lehman Fellowships for Graduate Studies in the Social Sciences, the Schweitzer Chairs in the Humanities, the Einstein Chairs in the Sciences, and the financing available from the New York State Dormitory Authority for the construction of academic and residence buildings.

But it is the expansion of the state-supported institutions which has been the outstanding feature of the new era in higher education in New York. During the period from the establishment of the State University in 1948 to the present, operating budget support provided by the state has risen from $17 to $250 million, and full-time equivalent enrollments in the public sector have grown from 76,000 to 212,000 in the 65 institutions of the State and City universities. In the 143 private colleges and universities there is a total full-time equivalent enrollment of 233,000.

By a veritable educational revolution New York State has begun to overcome decades of neglect—and even repression—of public higher education.

The first premise of this Committee is that New York State must not now turn back from this great effort to build state and city universities second to none. Our study of the private institutions of the state has led us to believe that they have important needs which justify new kinds of state action. But we emphatically dissociate ourselves from those who see the growth of the state's public universities as an unjustified threat to the private sector. Our own premise is the opposite. It is that there is no inherent contradiction between the continued expansion of the public universities and a prudent attention to the reinforcement of the private institutions.

This premise we assume to be that of the Governor and the Regents, too. Their record shows their commitment to the public sector. Both their record and their charge to us show their parallel interest in the private colleges and universities.

We turn, then, to the terms of our assignment. Let us note first that the Governor and the Regents together requested this study. The importance of this joint appointment lies not in any status it may confer on the Committee, but in its accurate reflection of the shared responsibility of New York State's two great instruments of executive action for education—the Governorship and the Board of Regents.

The Regents have a historic responsibility and a historic tradition of independence which make them an unusual instrument for the exercise of educational leadership on a statewide basis. The Governorship, for its part, has developed over the last 50 years into one of the most flexible and effective instruments of active public policy in the whole spectrum of American political offices. The Governor, as the chief political officer of the state, has great powers and responsibilities in the finding and allocation of financial resources. The educational responsibility of the Regents and the political and fiscal responsibility of the Governorship require that each maintain a sensitive respect for the role of the other. Neither one alone can frame a program that will command the necessary legislative and public support. Yet taken together they offer a combination of instruments for framing and executing a balanced policy toward higher education that is unsurpassed in the nation.

We turn next to the specific charge which these notable agents have given us: it is **"how the state can help preserve the strength and vitality of our private**

and independent institutions of higher education, yet at the same time keep them free." We observe here a double concern, and both parts deserve attention. First, this charge assumes that the state has some responsibility for private higher education. This responsibility does not automatically imply an obligation to provide direct support to such institutions, but it does require that this possibility be considered in a time when there is general and genuine concern for their financial condition.

At the same time the words of the Governor and the Regents emphasize that the private institutions must be kept "free." In one sense, of course, all colleges and universities must be kept free. Whether public or private, they all require what Charles William Eliot called the "winnowing breeze of freedom." The academic freedom of teachers and scholars is equally important in both sectors. We take it that the Governor and the Regents are concerned to protect, in the private sector, that special kind of freedom which guarantees to each individual institution an opportunity to develop its own mission and character. We have taken this part of the charge to mean that if the state, for good reasons, should decide to help private institutions, that help should be given in ways that preserve, as far as possible, this special freedom of institutional choice.

In this belief we are reinforced by the fact that the Governor and the Chancellor directed our attention to the private **institutions**, and not to the students or teachers within them. Obviously the justification for these institutions must be largely in terms of what their members do, but it makes a real difference whether one is looking at the problem of helping qualified students through college or the problem of ensuring that there shall be colleges of quality for those students to get into. The Governor and the Regents made it our business to consider the condition, and the needs, of the institutions as such.

Their evident premise is one which we emphatically share—it is that the value to society of strong private institutions of higher learning is clear and great. As an extension of this proposition, we have taken it as axiomatic that any deterioration in the established quality of these private institutions—whether in terms of faculty, curriculum, academic standards or physical plant—would be harmful not only to the institutions themselves but also to the public good.

But let us repeat that the need for effective service by all institutions must take precedence over any biased commitment to the public or private sector. Each stands to gain from the vigorous health and stimulating challenge of the other. We particularly endorse the evident decision of New York that its two great public institutions should aim at true academic excellence as well as broader opportunity for all, and we are glad that New York has swung away forever from the worn out notion that quality is for one sector and quantity for another.

Because the problem before us is national in character, we are keenly aware that what is done in New York may have national importance. Any doubt that these problems have relevance beyond the borders of the Empire State was emphatically dispelled by the inquiries we received from all parts of the country. Yet if the essential problems are shared in other states, New York does have unusual resources for dealing with them: the highly advanced stage of development of its institutions of higher education, the unique instrumentality of the Regents, the concern and commitment of the Governor's Office, the strength of the state's economy, the wide assortment of programs already in being for student aid and for institutional assistance—and the established tradition of periodic, independent, state-financed inquiries into one or another aspect of the developing educational scene. On the latter score the Committee is mindful that its report follows an impressive array of distinguished predecessors: the Heald Committee discussed above; the Muir study, concerned with the specialized problems of medical education; the Wells report on the activities and Master Plan of the State University; and most recently the Pearson inquiry, devoted to a re-examination of scholarship plans.

We hope our observations will be found responsive to the charge as given. In the course of a rewarding assignment we ourselves have learned a great deal. Moreover we have been reminded of what we knew before from our own experience as educators—that, in many important aspects of their operation, our institutions of higher learning still have much to learn about themselves.

Chapter 2/The Current Situation

A. THE CONDITION OF THE PRIVATE INSTITUTIONS

We have undertaken this inquiry amidst a rising volume of public debate concerning the future requirements of higher education. In particular the needs of privately controlled colleges and universities are widely discussed. In recent months estimates of the anticipated gap between income and expense for the nation's private institutions in the years immediately ahead have reached the multi-billion dollar level. Equally alarming reports are heard to the effect that the private sector in education is losing its position as enrollments skyrocket in the tax-supported universities. There are forecasts that financial stringency and enrollment decline will bring a grave deterioration in the quality of private higher education.

It has seemed to us essential that as far as possible the facts be ascertained, so that these predictions may be confirmed or modified, and so that whatever action is recommended may be appropriate in direction and degree. We have begun this process in the course of our Committee work.

We find the private colleges and universities in New York State to be in better health than we or they had supposed. As we have studied their financial condition and enrollment—past, present and likely future—we have found evidence of serious need, but not of impending catastrophe. We find obstacles to be overcome but we see no reason to believe that these difficulties must lead to inevitable decline in standards, and still less to the eventual disappearance of private colleges and universities as significant contributors to the higher learning. In particular cases, of course, we have seen evidence of crisis; in general, however, we are persuaded that a combination of improved management, strong private support, and a modest amount of public aid should assure their vigorous health for the foreseeable future.

Our inquiry proceeds from the premise that the citizens of New York State have long nourished many private colleges and universities of superior quality; that these institutions can maintain their excellence only with an adequate number of good students and sufficient funds for strong faculty and the other requirements of the academic life; and that while money neither measures nor assures quality it is a necessary condition of quality. It has been our task, among other things, to gauge the adequacy of the resources of these institutions, and to examine their capacity to attract their share of qualified students.

This rather broad-gauge assessment of the general position of the private institutions should be sharply distinguished from the kind of detailed study which would have been necessary if we had been called on to reach hard qualitative judgments on the exact way in which each private institution has chosen to deploy its resources. And if we had been required to pass judgment on their present hopes for growth and for qualitative improvement, a still harder task would have confronted us. Fortunately for us, no such study is called for—or would even be appropriate—given the general character of our assignment.

Neither this Committee nor the state authorities, in our judgment, can wisely accept responsibility for the choices that private institutions make in their pursuit of special excellence of one sort or another. The state must ask broader and more general questions. Its standards should not be low, but they should be such that they can be applied across the board. State funds must be granted or withheld on such broad grounds and not on the basis of any attempt to substitute the judgment of the state for that of the private institution itself.

This requirement of breadth has spared us much hard work—and much barren controversy. We have not had to test every rumor of "unfair" faculty raiding by new public universities, or every claim that a particular private institution deserves special support for special reasons. We believe that the private institutions must always look to many sources other than the state for the bulk of their support. Their individual claims to special excellence must appeal to—and be judged by—these other constituencies.

Our task has been broader and simpler, and yet, as the following pages show, it has not been easy.

I. Financial Condition

There is little information in the public domain about the financial condition of private colleges and universities. Although there is a growing trend toward more adequate reporting, the data ordinarily available do not provide any basis for an objective general assessment. We therefore undertook a variety of approaches to obtain data which would give us a basis for assessing the extent and urgency of the financial need.

First, the president of each private college was invited to submit his estimate of the future of his own institution, especially with respect to finance; his view of the distinctive role of his institution; his grounds for a claim on public support, if he made such a claim; and his opinion of what steps the state might take that would be of benefit to his institution.

Second, a number of college presidents, together and separately, were invited to discuss their needs with us and our staff.

Third, we commissioned a study of the financial condition of 29 private institutions on the basis of an analysis of financial statements covering seven consecutive fiscal years, from 1959-60 through 1965-66 (Appendix D).

Fourth, we obtained a more detailed picture of the financial needs of 11 of these institutions based upon a deeper analysis of financial records as well as campus discussions with the appropriate officials (Appendix E).

Fifth, we obtained an expert assessment of the condition of the physical plant of each of these institutions in order to learn whether or not they are providing, or are able to provide, adequate funds for maintenance and replacement (Appendix F).

Sixth, representatives of 17 institutions were convened for a discussion of tuition charges, the extent to which further tuition increases can be sustained, the procedures used in establishing tuition levels and the extent to which instructional costs can be underwritten by these charges.

In addition, the Committee reviewed the impact of the Scholar Incentive Program on the financial condition of the colleges, the available data on the finances of private colleges nationally, and in general pursued a number of other inquiries as they appeared relevant to our task. The following findings and conclusions are drawn from the full range of these studies.

1. The condition of data at the private institutions does not permit a precise assessment of future needs, but in our best judgment a combined annual deficit for all private institutions in the state in the range of $20 to $25 million may occur by 1970-71. Part of this deficit can be met by improved management practices and financial controls and some adjustment in fees.

The above estimate does not include an additional burden of deferred maintenance of physical plant which is estimated today at a combined total of $45 to $55 million. If funded over a five-year period the annual cost of removing this burden would be approximately $9 to $11 million.

The 11 schools included in our detailed survey represent about 35% of total private enrollment in the state and about 44% of total operating expenses for private higher education. The group includes large and small, rich and poor, upstate and New York City, sectarian and non-sectarian. These schools alone account for a current operating deficit of about $4.6 million and an anticipated 1970-71 deficit of $10 million. A rough extrapolation from this sample yields an estimated deficit of $20 to $25 million for all the private colleges and universities in 1970-71. A similar extrapolation of data obtained at 10 of the 11 institutions leads to our estimate of the current total of deferred maintenance. Much more reliable estimates could be made if each institution had carefully developed long-range plans. However, as we note in greater detail later in this report, such plans are available only in a very few cases.

We think it reasonable to expect that part of this anticipated deficit can be avoided by specific measures designed to recover identifiable costs. Over the long term, for example, these institutions should not tolerate substantial deficits in sponsored research; recovery of full overhead expenses should be the premise on which new contracts are accepted. In the case of federally supported research contracts, where the institution is required to make a minimum contribution, it is critical that the full overhead costs be assigned and recovered. Similarly, upward adjustments in fees should be accepted as the necessary means of reducing or eliminating losses in intercollegiate athletics, room and board, and other auxiliary activities. It is our impression that such steps would already have been taken by some institutions if their accounting and management reporting services had accurately revealed the need to do so.

These estimates of deficits and deferred maintenance do not indicate immediate disaster. They do show serious needs that are new in the history of private higher education in New York State. Moreover, we believe that as time passes, the level of these needs must be expected to grow—not as fast as the needs of the rapidly expanding public sector, but steadily. We agree with the prevailing view of economists that higher education, heavily dependent as it is upon human services, will tend to increase in its relative cost as technological improvements spread more rapidly in other parts of society. We see no excuse in this reality for avoiding the hard work of better cost control and more accurate cost accounting. But we think it clear that the coming deficits are real.

2. In the institutions studied – large and small – tuition fees, gifts and unrestricted endowment income are still generally sufficient to cover instructional costs and non-sponsored research.

On the premise that all tuition and unrestricted income is made available for the institution's instructional activities (including non-sponsored research*) all but one of the institutions studied had ample income to cover these costs. This calculation includes appropriate allocations to these academic functions of administrative costs, plant operation and maintenance and other applicable overhead items. In the one exceptional case—a large university—the loss indicated was slight in relation to the total budget and it represented less than a tenth of the total institutional deficit.

3. After appropriate allocations of overhead costs, deficits are consistently encountered in all institutions studied with respect to auxiliary enterprises and, in most institutions, in intercollegiate athletics, sponsored research and other non-instructional activities.

Over the years most institutions have consistently neglected proper allocation of overhead costs to the various non-instructional activities. In some cases no allocations are made at all. If overhead costs are allotted on a uniformly equitable basis, as was done in the studies undertaken for the Committee, deficits, often substantial, appear consistently in non-instructional areas.

The greatest losses are sustained in auxiliary activities where institutions appear reluctant to charge adequately for services rendered, especially for provision of room and board. (Auxiliary enterprises are defined to include dormitory operations, food service, bookstores and intercollegiate athletics. In the Committee studies intercollegiate athletics has been separately analyzed.)

Auxiliary enterprises "break even" only when the unrealistic position is taken that no overhead costs are to be charged against these activities. It appears that many institutions are absorbing losses in these areas in order that the sum of the charges to students—tuition, room and board and other fees—may be kept in line with charges at other institutions. This results in inequities in those schools having substantial numbers of non-resident students who, through their tuition payments, may be subsidizing a portion of the room and board costs of resident students.

In addition to the auxiliary activities, losses are consistently sustained in sponsored research and intercollegiate athletics as well as in extension and public service programs. The losses have been increasing most in schools where specialized sponsored research programs—particularly those of government origin—are greatest.

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*The assumption is that tuiton fees are paid and unrestricted gifts and endowment funds are received for the educational purposes of the institution and that these educational purposes (including non-sponsored research) therefore have first call on such funds.

4. Conditions of financing dormitory expansion appear to account in part for failure of such services to carry their full share of institutional overhead—and even direct—expenses.

Many institutions in New York State have financed dormitory construction through the Housing and Home Finance Agency, now the Department of Housing and Urban Development. As each institution submitted its financing plan, it was required at the same time to submit a project budget to the agency for approval. Normally that budget shows what type of revenue pledge the institution is proposing. The Department has two basic types of pledges. The first of these is a gross pledge, in which debt service is provided first, after which operating costs of a general predetermined nature are to be covered. The second is a net pledge, in which a narrowly defined set of operating costs is funded first, while debt service is considered secondary to these costs.

Under the first plan the Department is satisfied as long as debt service is covered by a modest surplus. If income falls below debt service requirements, rates must be raised to appropriate levels. Whatever funds are left are used for operating expenses. In the second plan operating costs must be kept to a minimum so that adequate funds are available to pay debt service.

Both of these plans place strong pressure on an institution to hold down charges against a project. In fact, it is difficult to make changes in predetermined operating expenses later unless agreement modifications are made and/or project rates are raised to cover the added costs. At several schools, for example, full provision for maintenance costs was not made in the original proposal and subsequent requests to incorporate these charges have been denied by the Department.

A similar situation is evident in projects financed through the New York State Dormitory Authority. Bondholders are normally interested in reviewing in the project prospectus the ratio of debt service to net revenues. Therefore, it has been to the advantage of the institution to show low costs and high net revenues, thus increasing the apparent safety of the bonds in the hope of obtaining a lower interest rate.

For these reasons it has been to the advantage of institutions not to look for charges to add into operating expense categories. As a result overhead items, such as general administrative costs and depreciation needs, are generally overlooked.

5. In nearly all cases the physical plants of the institutions surveyed are inadequately maintained. The backlog of deferred maintenance is rising annually.

Few institutions have preventive maintenance programs; thus minor problems develop into major repair needs. Because of deferred maintenance the estimated cost of building and utilities renovation and removal of building code violations at ten institutions studied adds up to a shocking total of $14.4 million. While the institutions are eager to undertake modernization programs, they lack adequate funds to do so.

Housekeeping is generally far below acceptable standards and is declining each year. Because staffs are inadequate both in numbers and in quality, broken plumbing is not repaired, paint is peeling, and other obvious needs are overlooked. Daily cleaning chores are performed—wastebaskets are emptied and blackboards are washed—but windows are rarely cleaned, and floors often go unwaxed for long periods.

Very little long-term planning is evident with respect to physical facilities; most projects are handled on a demand basis.

The supervision of operating staff is generally inadequate. Top management seems satisfactory at most institutions but supervisory personnel and workers are inadequate, except where craft union labor is employed. The low quality of personnel is due to the fact that the wages offered by the institutions are not competitive with the wage rates of local private industry.

6. In three universities studied which have medical centers, these centers account for major deficits in two cases and a small deficit in the third. Deficits are rising rapidly in all three instances.

Last year the losses attributable to the medical centers in these three universities varied from a minimum of $180,000 to over $2 million. The one university referred to earlier in which current income does not appear to cover instructional expense attributes this loss of about $240,000 primarily to instructional costs in the medical center.

The trend of medical center deficits was already evident in 1963 and is projected to continue at a rising rate into the 1970's.

7. We find little evidence of inter-institutional cooperation on the scale necessary to achieve significant educational and economic advantages.

Most college administrators readily concede that some educational objectives could best be achieved by means of inter-institutional cooperation. A few are actively engaged in such projects. Yet it is abundantly clear that very little indeed is being done in spite of the real potentialities. The hard realities dictate that one's own institutional needs tend to take priority in time and funds over such combined enterprises. The self-interest of any one institution is seldom so vitally affected by a cooperative program that such a program can lay effective claim to the resources of the institution or the attention of its leaders.

As a result possibilities for substantial benefits through cooperation are seldom realized. Clearly there are many parts of the state in which location and common interest indicate the desirability of joint efforts with respect to library service, common facilities, computer equipment, joint faculty appointments, common business services and occasionally, perhaps, even a merger. We note that in at least three areas of the state studies have shown that major gains from cooperation would accrue to institutions that are neighbors, but implementation thus far falls short of the possibilities.

8. A large group of special schools – in the fields of technology, medicine, law, education, music – constitutes an unusually strong element of higher education in New York State. In general the financial needs of these schools appear to be as great as or greater than those of the more generalized colleges and universities.

There are at least 29 private institutions of higher education in New York State that can be considered highly specialized in character–including ten technical schools, seven medical and medicine-related schools, three law schools, three education schools and four music colleges. They enroll about one of every six students in private institutions and include some of the most distinguished institutions in the state.

While a detailed study of their financial condition was not feasible, we have the distinct impression that on the whole they face financial problems similar to those of the more typical colleges and universities. In some instances they must pay higher-than-average salaries to attract and hold qualified teachers with special talents. In some cases the costs of updating and equipping laboratories and of acquiring scientific instruments are unusually great.

It is difficult to generalize about these institutions, which for the most part are as different from each other as they are from the liberal arts colleges and the general universities, but this difficulty does not decrease our recognition of their importance or our concern for their needs.

II. Management

We did not conduct comprehensive management surveys of any of the institutions. However certain important aspects of their administration inevitably came to our attention in the course of studying their financial condition. We summarize here our main findings.

9. In most cases projections of future requirements are either lacking altogether or are unsupported by detailed analysis.

In some of the institutions surveyed no meaningful data on future financial requirements are available; included in this group is one major university which is operating currently with a large deficit. In most other cases the estimates of future requirements are based on trend line projections or gross percentage increases unsupported by program analysis or other forms of detailed study.

10. Essential management information is lacking in almost every institution studied, and misconceptions concerning the nature and extent of their own financial problems are widespread among top officials in most of the institutions surveyed.

Our studies reveal that few institutional administrators are aware of internal trends in student-faculty ratio, credit hours taught per faculty member, numbers of non-academic personnel, or other vital data affecting their financial condition.

As indicated earlier, administrators repeatedly misidentify the sources of their financial difficulties. Until there is greater understanding of the impact of available information it is difficult to see how corrective measures can be taken.

11. The large universities are on the whole in worse condition financially than the smaller institutions studied. This appears to be partly due to shortcomings in management, control and planning.

All four of the large universities whose financial condition was studied are currently operating at a deficit, ranging from $477,000 to over $2.5 million in 1966-67. In contrast, among the small institutions four are operating with modest surpluses while others are incurring deficits of lesser amounts than the universities.

We have the distinct impression, however, that the difficulties faced by the universities are not solely due to inherently costly operations. Our studies indicate that losses being sustained in sponsored research and auxiliary enterprises are being accepted unwittingly in some cases because cost accounting and control operations have failed to identify them and thus corrective measures have not been taken. We find that administrative officers tend to attribute deficits primarily to rapidly rising faculty salaries when, in fact, in most cases tuition fees and unrestricted endowment income continue to cover the costs of instruction and non-sponsored research.

12. While some of the financial difficulties of the institutions can be laid to weak management, it is equally true conversely that shortages of funds have made it difficult for most institutions to engage the staff and support the information systems which are necessary for strong and far-seeing administration.

Understandably enough, the colleges and universities typically accede to the pressure to allocate as much money as possible to academic programs; after all, these programs are what the institutions exist for. Remaining funds have been inadequate to permit administrative staffing that would meet the need for adequate planning and control.

In some instances where top policy-making staff has been provided, second levels of operating staff are weak or non-existent. In such cases the administrator is unable to function properly and thus his contribution is curtailed. A staff man competent at one job is often promoted to another beyond his abilities, as in the case of a good groundsman who is given responsibility for maintenance of a science building, or an adequate accountant who is selected as a chief business officer.

13. In each of the four universities studied a decline is being experienced in student credit hours taught per faculty member. In the smaller institutions on the other hand there appears to be a general upward trend in this ratio though declines are noted in some cases.

Nothing is harder to measure than teaching efficiency. Yet it seems to us that college and university administrators would be well advised to keep track of such gross indicators as are available to them as well as the more fundamental qualitative judgments obtainable from informed academic colleagues. The measure we have chosen, for want of a better one, is that of student credit hours taught per faculty member. We fully recognize that when it is turned around, the faculty-student ratio is sometimes advertised as a measure of quality—but we do not endorse this fashionable practice.

The four universities studied showed an average decline of 8% over a three-year period, from 308 credit hours taught, in 1963-64, to 284 in 1966-67. Two of the four anticipate further decreases by 1970-71 and two anticipate increases.

In the seven colleges studied, average credit hours rose from 409 in 1963-64, to 445 in 1966-67, an increase of 10%. This composite total includes three institutions showing rather large increases and three showing decreases. Five of the seven predict increases in 1970-71 while two anticipate reductions.

III. Impact of the Scholar Incentive Program

In the first six years (1961-62 through 1966-67) since New York State initiated the Scholar Incentive Program $144 million has been invested in this effort. Of this amount about $97.5 million has gone to students attending private institutions. (These amounts are in addition to the long-established Regents Scholarships.) It has frequently been said that the Scholar Incentive Program aids the colleges as well as the students and that in fact the best way to provide additional help to these institutions is to expand this Program. It became our responsibility to discover whether or not this is so and we report our findings in the hope that they will serve to clarify the purposes of the Program and inform the present discussion of its expansion.

14. The Scholar Incentive Program has served well the students in need of aid. It has not, however, proved to be of significant financial benefit to the private colleges and universities.

> **During the period in which the Scholar Incentive Program has been in effect, private tuition charges in New York State have risen at a slower rate than the national average.**
>
> **Of the six states having the highest levels of tuition charges, New York State ranks fifth in rate of increase in average private tuition charges during the same period.**
>
> **Private tuition charges in New York State remain the highest in the nation.**

There is no question that the Scholar Incentive Program has been good for New York State. We support it and would like to see it continued. In the public discussion of the Program, however, there has been a confusion of aims which needs to be dispelled. The Heald Committee recommended that direct grants be made to the private colleges. In the subsequent discussion, because of the constitutional obstacles, the indirect approach was adopted and the Scholar Incentive Program was seen as a means not only of assisting the individual student but of indirectly aiding the private college as well. Our studies indicate that this indirect effect has been limited—as Mr. Heald predicted at the time.

If a student receives a Scholar Incentive grant of $100 he benefits by $100 as long as the cost to him of going to college remains the same. But if a student receives a grant of $100 and the college raises its tuition by the same amount in order to reap that benefit for itself, the student is no better off than before. The question of who benefits then becomes a question of fact. With six years of experience, New York State can now determine broadly who has benefited from the Program. We have examined the available data. They suggest to us that the beneficiary, quite properly, has been the student and, on the whole, not the college.

Since New York State's Scholar Incentive Program accounted for **about two and one-half times more state scholarship money than was provided by all the other states combined** during these recent years, it provides an excellent basis for comparative analysis. If the effect of the Program had been to enable the colleges to increase their tuition rates, then tuition charges should have risen much more rapidly in New York State than in the nation as a whole during the last few years. Or, if it be argued that since New York college tuition rates were already at a high level they could not be expected to rise as rapidly as in some sections of the country where the cost to the student has been very low, then at any rate one might expect a high rate of increase in New York as compared with other high tuition states. What in fact has been the case?

During the five-year period beginning in 1961, there was an average tuition increase in New York State of $272 as compared with a $235 rise in average tuition nationally.

However, when the percentage increase in New York is compared with that of the nation as a whole, we find that while average New York tuition at private institutions rose 22.6% from 1961 to 1966, average private tuition in the nation rose 25.9%. These figures are shown in the table below.

Table 1

RISE IN WEIGHTED AVERAGE TUITION IN NEW YORK STATE
COMPARED WITH NATIONAL AVERAGE, 1961-66

	New York State			The United States		
Year	Weighted Average Private Tuition	Dollar Rise	Percentage Rise on Base Year 1961-62	Weighted Average Private Tuition	Dollar Rise	Percentage Rise on Base Year 1961-62
1961-62	$1,206			$ 906		
1962-63	1,316	$110	9.1%	944	$ 38	4.2%
1963-64	1,376	60	+5.0	1,012	68	+7.5
1964-65	1,441	65	+5.4	1,088	76	+8.4
1965-66	1,478	37	+3.1	1,141	53	+5.8
Total		$272	22.6%		$235	25.9%

Source: Committee studies based on data supplied by Office of Education, U.S. Department of Health, Education, and Welfare, Washington, D.C. and *College Facts Chart*, National Beta Club, Spartanburg, S.C., published annually.

When we take into consideration the $235 rise in average tuition nationally, we may question whether the $272 rise in average tuition in New York State is attributable as much to Scholar Incentive funds as it is to causes affecting the education scene in general.

Thus the other states are narrowing the distance between themselves and New York, which has the highest tuition rates in the country, in spite of the fact that they do not have programs comparable to Scholar Incentive; in fact most of them have had no state scholarship funds at all during most of these recent years.

An examination of the average rise in tuition at private institutions in Massachusetts, Pennsylvania, California, Illinois and Ohio—the states which, after New York, have the highest average student charges—reveals, as shown in the table below, that New York was only third among six in absolute dollar increase in tuition, and fifth in rate of increase.

Table 2

COMPARISON OF RISE IN WEIGHTED AVERAGE TUITION IN NEW YORK WITH THE FIVE STATES HAVING THE NEXT HIGHEST TUITION LEVELS, 1961-66

State	Weighted Average Private Tuition 1961-'62	Weighted Average Private Tuition 1965-'66	Dollar Rise	Percentage Rise
Illinois	$ 850	$1,154	+$304	+35.8%
Massachusetts	1,109	1,397	+ 288	+26.0
New York	1,206	1,478	+ 272	+22.6
California	895	1,141	+ 246	+27.4
Pennsylvania	1,033	1,268	+ 235	+22.7
Ohio	854	1,041	+ 187	+21.9

Source: Committee studies based on data from *College Facts Chart*, National Beta Club, Spartanburg, S.C., published annually.

Another factor to be examined is the scholarship money awarded from the funds of the institutions themselves. If the injection of Scholar Incentive funds had reduced the drain on private funds for this purpose, this would have been as beneficial to the private institutions as increased tuition income. However, a study of the audited reports of 20 schools which enroll almost 55% of the full-time undergraduate students in New York State indicates that this has not been the case. Between 1961 and 1966, while enrollment at these institutions increased 25% and tuition increased 22.6%, the amounts of money awarded by the colleges and universities for scholarships increased 110%. Figures showing the growth of scholarship funds expended by these 20 institutions from 1961 to 1966 are shown in Appendix H.

Our enrollment studies also show that in the larger universities in the state, the higher rates of increase in tuition are associated with slower enrollment growth rates, while in the smaller colleges there appears to be no such correlation. It is not clear what would have happened during the last five years if the private colleges had elected to increase their tuition rates by an additional $200 or $300.

We may speculate that in the absence of the Scholar Incentive Program the colleges would have had to increase their own student aid outlays still more or, if unable to do so, would have lost students they would have liked to keep. To this limited extent, the Program may have been beneficial to the private institutions. But our main conclusion remains firm: the Scholar Incentive Program, to date, has provided modest but important help to students and very little, if any, to institutions.

IV. Enrollment

We have also been concerned to discover whether the private institutions are continuing to attract students in sufficient numbers and quality to maintain their strength and vitality and to determine, insofar as the data allow, whether in the years ahead, it is likely or possible that the rapidly growing State University and City University may expand so far and in such ways as to make it difficult for the private institutions to attract the numbers and kinds of students necessary for their continued health and growth. Our basic findings are given below.

15. Enrollment in the private colleges and universities continues to rise though not as rapidly as in the public sector.

Student enrollment has risen sharply in New York State in the years from 1961 to 1966. Total degree-credit students—full-time and part-time, graduate and undergraduate, two-year and four-year—increased from 338,000 to 486,000, a rise of 44%, and full-time students alone rose from 230,000 to 359,000, an increase of 56%.

Full-time undergraduate attendance at the public universities increased 87%, while the private institutions show a rise of 31%. These figures are derived from the data provided in the table below.

Table 3

A COMPARISON OF FULL-TIME UNDERGRADUATE ENROLLMENT IN PUBLIC AND PRIVATE INSTITUTIONS, 1961-66

	Public		Private		
Year	Number	Percent	Number	Percent	Total
1961	83,274	40.5%	122,242	59.5%	205,516
1962	97,322	44.6	120,909	55.4	218,241
1963	107,751	45.7	127,986	54.3	235,737
1964	125,502	47.8	137,211	52.2	262,713
1965	143,833	49.1	149,350	50.9	293,183
1966	156,008	49.3	160,133	50.7	316,141

Source: Bureau of Statistical Services, State Education Department, Albany, New York.

Part-time undergraduate enrollment has remained relatively stable and represents an ever-smaller percentage of the total. This is attributed to such factors as the increasing availability of full-time places, greater affluence coupled with the availability of state-sponsored Scholar Incentive funds and student loans and, for male students, full-time enrollment as a draft deferment requirement.

Part-time undergraduate enrollment has decreased at private institutions and increased at public institutions as shown in the table below. In total these figures are not of major significance, however, representing less than 15% and 18% of the total undergraduate bodies respectively in 1966.

Table 4

A COMPARISON OF PART-TIME UNDERGRADUATE ENROLLMENT IN PUBLIC AND PRIVATE INSTITUTIONS, 1961-66

	Public		Private		
Year	Number	Percent	Number	Percent	Total
1961	26,149	44.4%	32,685	55.6%	58,834
1962	29,941	51.3	28,424	48.7	58,365
1963	33,991	54.2	28,706	45.8	62,697
1964	36,287	57.0	27,416	43.0	63,703
1965	33,166	55.1	27,028	44.9	60,194
1966	32,872	54.2	27,823	45.8	60,695

Source: Bureau of Statistical Services, State Education Department, Albany, New York.

It is interesting to note, also, that in the face of the spectacular growth of the community colleges, private two-year institutions have experienced a substantial increase in enrollment, in fact on a percentage basis greater than that noted in the four-year institutions. Table 5 shows the year-by-year figures for the private and public sectors. The data reveal that over the six-year period private two-year full-time enrollment increased over 89% as compared with an increase of 29% in the four-year private institutions. Meanwhile the public institutions were experiencing a 147% increase in their two-year colleges and a 66% increase in their four-year schools.

Table 5

A COMPARISON OF FULL-TIME UNDERGRADUATE ENROLLMENT IN TWO-YEAR AND FOUR-YEAR INSTITUTIONS, PUBLIC AND PRIVATE, 1961-66

	Public	Private	Total
1961			
4-year institutions	61,530	119,024	180,559
2-year institutions	21,744	3,218	24,962
	83,274	122,242	205,516
1962			
4-year institutions	72,412	117,313	189,725
2-year institutions	24,920	3,596	28,516
	97,332	120,909	218,241
1963			
4-year institutions	78,215	124,284	202,699
2-year institutions	29,336	3,702	33,038
	107,751	127,986	235,737
1964			
4-year institutions	86,799	132,082	218,881
2-year institutions	38,703	5,129	43,832
	125,502	137,211	262,713
1965			
4-year institutions	96,057	143,787	239,844
2-year institutions	47,776	5,563	53,339
	143,833	149,350	293,183
1966			
4-year institutions	102,164	154,025	256,189
2-year institutions	53,844	6,108	59,952
	156,008	160,133	316,141

Source: Bureau of Statistical Services, State Education Department, Albany, New York.

The Committee also reviewed freshman enrollment in order to determine whether there might be some evidence of a decreasing inclination to attend private institutions which would appear in recent entering classes and not yet be fully reflected in the total enrollment trends. Two groups of institutions were studied, the first being made up of 48 smaller institutions and the second consisting of 16 larger schools having enrollments in excess of 4,000. (The two groups together account for about 79% of the full-time private higher education enrollment in New York State.)

Among the smaller colleges, freshman enrollment increased in toto by 30%[1] from 1961 to 1966. Of the 48 in the study, 42 colleges experienced increases and only six showed a decline in freshman enrollment during that period.

Among the 16 largest institutions in the state, freshman enrollment increased by 11% during the same six-year period. Two institutions showed a significant decline; in one case the decline was the direct result of an institutional policy decision to reduce the size of the freshman class in a successful effort to improve the average quality of students admitted.[2]

Taking both study groups together, freshman enrollment increased by 19% over the six-year period. (Additional data obtained in the course of this inquiry are contained in Appendix A.)

Preliminary reports of opening Fall enrollment, 1967, indicate continued growth of enrollment in the private institutions. These preliminary data indicate an increase in private full-time enrollment of about 7% over the previous year. Increases in full-time enrollment at the public institutions are estimated at 9%.

With respect to quality of students, such evidence as there is suggests that private institutions on the whole have been able to be more selective in recent years than formerly. This is reflected in generally rising average Scholastic Aptitude Test (SAT) scores of entering freshmen.

At the graduate level, State University and City University full-time enrollment in the same period rose from 2,667 to 8,789, an increase of 230%, while at private institutions there were 22,041 full-time graduate students in 1961 and 33,940 in 1966, an increase of 54%. Part-time graduate students rose from 9,455 in the public sector to 19,327, up 104%, and from 39,230 in the private sector to 46,874, up 19%. Total graduate enrollment, full-time and part-time, rose 132% at City University and State University, and rose 32% at the private institutions from 1961 to 1966.

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[1] All data on the 48 college enrollments obtained from Nelson Associates, Inc., *A Study of Factors Related to Change in Freshman Enrollment at Private Colleges in New York State, 1961-66*, State Education Department, Albany, 1967.

[2] Source: Committee studies.

Again, the private universities are increasing less rapidly, but are continuing to show a steady growth in graduate enrollment as Table 6 demonstrates.

Table 6

A COMPARISON OF PART-TIME AND FULL-TIME GRADUATE ENROLLMENT IN PUBLIC AND PRIVATE INSTITUTIONS, 1961-66

FULL-TIME

	Public		Private		
Year	Number	Percent	Number	Percent	Total
1961	2,667	10.8%	22,041	89.2%	24,708
1962	4,297	15.6	23,008	84.4	27,605
1963	4,775	16.8	23,606	83.2	28,381
1964	6,011	17.7	28,020	82.3	34,031
1965	7,270	18.8	31,450	81.2	38,720
1966	8,789	20.6	33,940	79.4	42,729

PART-TIME

	Public		Private		
Year	Number	Percent	Number	Percent	Total
1961	9,455	19.4%	39,230	80.6%	48,685
1962	11,860	25.1	35,335*	74.9	47,195
1963	13,883	26.7	38,097	73.3	51,980
1964	15,482	28.0	39,804	72.0	55,286
1965	18,092	32.0	38,519	68.0	56,311
1966	19,327	29.2	46,874	70.8	66,201

*The University of Buffalo which had a large part-time graduate population became part of the State University of New York in 1962.

Source: Bureau of Statistical Services, State Education Department, Albany, New York.

In view of the foregoing we have explored the reasons why there is such a widespread impression that the private institutions are losing out in the competition for students. We conclude, on the basis of conversations and inquiries, that the phenomenon arises partly from a misreading of statistics and partly from a projection into the present of substantial fears for the unknown future. It is true that enrollments in the public institutions are growing much more rapidly than in the private institutions—the State University is growing at a truly phenomenal rate—and it also follows that the proportion of total enrollment carried by the public institutions is increasing rapidly. Nevertheless the private institutions are continuing to grow at the freshman level as well as at the advanced levels. We suspect that the combination of a slower growth rate in the private sector and a declining proportion of total enrollment has led many observers to an unwarranted further conclusion that the private institutions are in decline. On the contrary, the data reveal substantial continuing growth in numbers and rising academic aptitude of freshmen.

Such successes have been achieved only by means of strategic adaptations to new conditions by many institutions. Evidence of this is seen in the 48 smaller institutions studied in which resident enrollment of full-time freshmen increased from 70% to 76% in the period from 1961 to 1966; in the 16 larger institutions a more substantial growth in resident enrollment from 46% to 59% took place during the same period. The increases in residential accommodations for freshmen were most marked in the New York City metropolitan area.

16. Presently available information makes it difficult to determine whether there is a substantial risk that the State University or the City University will expand in the near future to the point of jeopardizing the strength and continuing development of private higher education.

Many private college administrators have told us that the public universities threaten their very existence. They are concerned particularly about the development of new two-year and four-year institutions in areas from which these private colleges now draw the bulk of their students. As we look back upon the last few years we can only conclude that the rapid expansion was essential in the interest of providing adequate educational opportunities for the young people of the state, and the continuing growth of the private sector is reassuring evidence that the demand for higher education was not overestimated.

However, it is not possible to speak with the same assurance about the future. We can say with the benefit of hindsight that during the past decade the most vigorous efforts of the public institutions to expand their facilities were barely adequate to keep pace with demand. If demand should be overestimated in the future the possibility exists that excess public facilities may be built and the resulting pressures to fill them could adversely affect the private institutions. The best protection against such an eventuality—or the opposite case, in which private and public institutions combined could not meet an unanticipated heavy demand —is accurate enrollment projection. (See Appendix B for the most recent long-term projections by the State Education Department.)

The State Education Department is showing increasing capacity for precise short-term projections—one to two years ahead. But if the state is to have the necessary assurances against overexpansion or underexpansion it will be necessary to develop accurate projections with a range long enough to exceed the time required for planning and construction of facilities. Furthermore it will become increasingly urgent that such projections become available program by program at technical and graduate levels; excess facilities for dental technicians cannot readily be used to train computer programmers, nor can law school places be filled with medical students.

So long as planning methods remain as gross and short-term as at present some risk will exist—and we cannot estimate the extent of it—that private institutions may in some respects be jeopardized by future expansion in the public sector. It is also possible that private and public institutions taken together may underestimate needs either of a general kind or for specific programs.

Still there is no present evidence for any conclusions that private institutions as a whole are "losing students" or "pricing themselves out of the market." In individual instances this danger may exist, but in such special cases it could well be useful to ask whether in fact the students who stay away may not be making a good judgment of the quality of what is offered, as against its price.

B. STATEWIDE PLANNING AND COORDINATION

We have studied the role of the Regents with respect to statewide planning for higher education, paying particular attention to the private sector. We have also inquired into the planning efforts of the private institutions themselves. Two basic conclusions have emerged from these investigations.

17. While the Regents possess fully adequate authority to plan and coordinate higher education in the state, private and public, this existing authority is not vigorously exercised.

It is generally recognized that there is no true counterpart of the New York Board of Regents in any other state. The breadth of its authority—across every type and level of education—is unique, and the responsibilities of its Commissioner and staff, who make up the State Education Department, are unmatched.

The Regents are vested with the responsibility of determining the educational policies of the state, consistent with the Constitution and statutes, and are authorized to establish rules carrying them into effect. They are directed by law "to encourage and promote education, to visit and inspect its several institutions and departments, to distribute to or expand or administer for them such property and funds as the state may appropriate therefor or as the University may own or hold in trust or otherwise, and to perform such other duties as may be entrusted to it."

The Regents and the Commissioner of Education are authorized to inspect and require reports from any institution of education in the state. The Regents may suspend or revoke the charter or any of the rights and privileges of any institution which fails to make any required reports or violates any law or rule of the Regents.

In addition to their broad coordinating and supervisory roles for all of education in the state, the Regents have certain specific responsibilities for higher education, including the promulgation and revision of the Regents Plan for the Expansion and Development of Higher Education in the state. Others are: chartering institutions; approving teachers; examining, licensing and enforcing laws regarding conduct of 20 professions; administering the undergradute scholarship, graduate fellowship, and Scholar Incentive programs; and encouraging improvement and innovation in instruction and college administration.*

Although charged with these many responsibilities toward higher education, historically the Regents have centered their attention mainly upon the pre-collegiate institutions, particularly on the establishment and regulation of public elementary and secondary schools throughout the state.

More recently the development of the State University system and the rapid expansion of higher education, public and private, have caused the Regents to give increasing attention to college-level activities. In 1961, with the passage of master planning legislation, the Regents were made clearly responsible for coordination of the development of all higher education in the state. Under this legislation the State University and the City University are each required to submit master plans for their respective sectors every four years. The Regents

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*Adapted from *The Regents Tentative Statewide Plan for the Expansion and Development of Higher Education, 1964:* State Education Department, Albany, 1965.

are required by this law to review and act upon each of these plans; to "evaluate all available information with respect to the plans and facilities of private institutions"; and then to prepare "a tentative Regents plan for the expansion and development of higher education in the state." It is further required of the Regents that "copies of such tentative regents plan or general revision thereof, as the case may be, shall be made available to the trustees of the state university, the board of higher education in the city of New York and the governing boards of all other institutions of higher education admitted to the university of the state of New York. Thereafter, after giving due notice, the regents shall conduct one or more hearings on such tentative regents plan or general revision thereof." The final version is to be transmitted subsequently to the Governor and to the legislature as the Regents Plan for the Expansion and Development of Higher Education. (Quotations are from Chapter 388, Laws of New York. For the full text see Appendix C.)

We find that for the most part the Regents have been too passive in the exercise of their regulatory function with respect to higher education. The chartering of institutions and the registering of programs have often been perfunctory. The Regents have rarely revoked a charter. Sometimes charters have been granted to institutions so weak that they might better not have come into being. While the Regents have been commendably free of any tendency to inhibit the full development of the many superior colleges and universities in the state, they have on the other hand done little to weed out or upgrade the inferior ones. While these are exacting responsibilities, the Regents have not shrunk from them in the even more difficult field of elementary and secondary education.

The Regents have also been unable so far to meet effectively their new responsibilities for master planning. The formalities for coping with the plans of the State University and the City University are well set forth in the legislation described above. But in the absence of adequate staff and funds to conduct a full review of these plans, some of the authority implicit in the Regents' role as described in the legislation appears to have begun to erode. A notable example was the general approval given by the Regents in 1966 to the long list of new programs proposed by the State University in its Master Plan of that year. Their responsibility to review new programs one by one, with care and with consideration of their impact on other institutions, private and public, was not fulfilled in this instance. At present the State Budget Office finds itself in the untenable position of reviewing State University funding requests for such new programs before receiving any adequate review made by the Regents from the standpoint of statewide educational policies.

18. At present no effective mechanism exists for determining or coordinating the long-range plans of the private institutions as a group.

In the course of its master plan coordination, the Board of Regents receives plans from City University and State University covering about half of the total statewide enrollment and 65 institutions. From the private sector, however, the Regents receive no coordinated plans. In fact they receive very little in the way of detailed plans from any of the individual institutions. Some institutions are reluctant to confide in the state's officialdom; others simply have no plans. The situation that arises from this condition is an irritant to all parties; the Regents have no basis—other than past performances—for projecting the future role of the private institutions; the public institutions make their own guesses about what the private schools will do, but feel that they have nothing concrete to work with; the private institutions themselves are of the opinion that they have not been brought into the statewide planning process and that they have not had an opportunity to show what they could do if the ground rules were set out for them.

This general situation has existed for a long time but it has become acute only in the last few years. The rapid rise of the State University has changed everyone's perspective.

Part of the problem is that while the City University and the State University are each of them unified, at least for broad planning purposes, the case is different for the 143 private colleges and universities. Each of these stands by itself, with its own purposes, its separate board and faculty, its distinct affiliations, and its own sources of funds. Indeed, the term "private sector" attaches an all-too-singular noun to a large number of highly diverse colleges and universities scattered throughout the state.

Chapter 3/Recommendations

A. PLANNING AND COORDINATION

Our most important recommendation is that there should be general direct state aid to private four-year colleges and universities. But we believe this recommendation can be justified only if there are major improvements in the way the state conducts its relations with all of higher education. To emphasize this view we begin with a series of recommendations in the field of planning and coordination.

It is apparent from the comments in the preceding section that there is a need for improved planning and coordination of all higher education in the state as well as a specific need to devise ways of taking into account in an organized fashion the plans, aspirations and capabilities of the private institutions as an integral part of the master planning process. We offer several proposals to meet these needs.

1. The offices under the direction of the Associate Commissioner for Higher Education must be strengthened substantially in staff and in budget if they are to perform the functions of planning, standard-setting and surveillance required for an adequate overview of the private and public sectors.

The current appropriation within the Department for higher education planning purposes is less than $145,000.

There is a separate planning group funded through the Federal Higher Education Facilities Act with six full-time staff members, a coordinator and several consultants. A grant of $265,000 for the current year is provided specifically for a detailed facilities inventory on each campus and related data collection. As matters stand the state is undoubtedly obtaining more useful planning information from this limited source than from the small state funds noted above.

As an example of the present inadequacy of state funding, we note that a staff of three is confronted with the task of evaluating approximately 7,000 courses of study offered in more than 200 colleges and universities.

Since staffing is inadequate surveillance is limited. The chartering and registration processes need strengthening. Perhaps too many new weak institutions have been permitted to open their doors; in other cases a stronger hand has been needed to enforce academic standards in existing institutions.

Recruitment of staff for the Department is difficult. There are often major job vacancies for a long period of time. A substantial part of the difficulty is related to civil service regulations—examinations, time lags, establishment of lists, etc. Frequently the job classifications have been set too low by the Civil Service Commission; when the state has been willing to grant additional funds for selected positions, the Commission has often been unwilling to upgrade the classification. There appears to be need for a professional classification outside the present structure if the Department is to compete in the university market place for the talent it requires.

We understand that a budget request of $250,000 for higher education planning in the next fiscal year is contemplated by the Department. We strongly support this request (and perhaps even larger amounts in the future) as a necessary condition for the adequate discharge of the Department's responsibilities.

2. A sophisticated and sensitive enrollment prediction method is required so that total demand for higher education in New York State may be accurately predicted in advance of capital commitments, and so that the respective obligations and opportunities of the private and public sectors may be more precisely determined.

The small planning staff for higher education in the State Education Department is sharply constrained in its prediction efforts by the deficient quality and limited availability of basic data and the "hand methods" employed.

Because of the complexity of its responsibilities—and the hundreds of millions of tax dollars at stake—New York should have one of the most sophisticated and sensitive enrollment prediction systems in the country. It should be pioneering in the development of computer models of future enrollment configurations with the capability of measuring the effects of a number of significant variables—migration rates, admission standards, college-going rates, fees, etc.—on the total demand for college places and on specific needs for specialized programs based upon manpower requirements.

The ability of the staff to predict enrollment over the short term—a year or less ahead—is improving, if the most recent efforts are indicative. However it must be borne in mind that the public institutions require four to five years—and often a longer time—to develop plans and carry out construction to meet enrollment demands. This long lead time puts a premium on the accuracy of long-term projections.

The social, economic and even political necessity of accurate predictions is apparent. Furthermore, data which command general confidence are essential to good working relationships between the Department and the State University, between the private and the public sectors, and between the leaders of higher education and the leaders of state government.

The private institutions argue persuasively that if they were asked by the state to develop plans to meet state needs they could respond more constructively than under present working relationships. One of the advantages of a sophisticated planning operation in the Department is that alternative ways of meeting the state's needs could be analyzed in terms of costs and benefits.

3. Responsibility for such statewide enrollment predictions should be lodged in the Board of Regents as part of its general responsibility for higher education planning.

Since the Board of Regents with its arm, the State Education Department, is *the only body with responsibility for all of higher education* in the state, it is the only appropriate agency to perform this task. Up to the current year the State Education Department and the State University have each made separate—and different—estimates of total enrollment demand, as noted earlier. If a fully rationalized system were operative within the Department, that should be sufficient for all parties; then each sector could develop its own more detailed projections and plans from the same base.

4. When the Board of Regents determines, after an inquiry which it has initiated, that new or expanded graduate programs are required to meet specific manpower needs, it should consider contracting with private institutions for such purposes as an equally attractive alternative to expansion of public institutions. Its recommendations in each case should be made on the basis of the institutional resources available, the comparative cost and other relevant factors.

Such recommendations to the Governor and the legislature should be made only as a part of the process of master planning for education and thus would be determined by the Regents after a full review of the alternatives.

Graduate programs are generally very expensive to operate. They place a heavy burden on the private institutions. Yet they provide the society at large with many of its most needed professionals—teachers, social workers, lawyers, etc. The use of public funds to educate and train such people, whether in private or public institutions, requires no defense. Since graduate and professional schools often flourish best in large complex universities, and since New York State is fortunate in having more strong private institutions of this sort than any other state, it should have an orderly method at hand for tapping these resources.

We foresee situations in the future in which the Regents, having initiated and conducted appropriate inquiries, and having as a result identified additional graduate-level needs in a specific field, may invite institutions with appropriate capabilities to submit plans and proposals. The proposals received from the university centers of the State University would be weighed along with those of any qualified private universities wishing to enter the lists. Such a procedure would tend to provide optimal solutions and would provide a more rational basis for decision-making than currently exists.

We appreciate that such a program would place heavy new duties upon the Regents. *We believe, however, that it is completely consistent with, and in effect* implied in, their legal responsibility for master planning. We see such a program also as another way of involving the private institutions effectively and affirmatively in the master planning efforts of the state.

We specifically urge the contract method in such cases. It can help in keeping an appropriate distance between the private institutions and the state, thus assisting the former in maintaining their independence while assuring the latter of a well-specified fulfillment of its requirements. The operating funds would probably need to be assured on a fairly long-term basis, perhaps by means of ten-year renewable contracts.

In keeping with the Regents' responsibilities the contracts should be drawn between the Regents and the selected institutions. We also believe it would be consistent with this proposal and would prevent possible conflicts of interest if, in due course, the responsibility for administering medical education grants were transferred from the State University to the Regents.

5. We urge the development of a unified plan for the cooperative development of library reference and research resources, private and public, on a statewide basis.

New York State has the potential for one of the best and most comprehensive programs of regional and statewide reference and research library cooperation in the country. The groundwork was laid in the 1961 report of the Commissioner's Committee on Reference and Research Library Resources. The plan calls for the development of strong linkages among all types of reference and research libraries and provides a sound basis for reimbursing those libraries whose resources are in greatest demand. Unfortunately some years have passed without funding or legislation; last year for the first time planning funds were provided to enable a number of the regional organizations to develop specific arrangements and to permit the beginning of an organized statewide interlibrary loan network.

Since the library needs of the State University are extensive and since there is an understandable desire on its part to link its campuses together in a cooperative fashion there is some risk that two separate statewide library networks may come into being, one public and one private. Such a development, while an improvement over the present situation, would be unfortunate because it would entail costly duplication of resources and of communications equipment. It should be borne in mind that most of the rich library resources of the state are in private hands. It is very much in the interest of the state as a whole to provide inducements—including proper compensation—for these private libraries to share their resources and also to insure that, as the libraries of the public institutions are strengthened, their resources also will be made widely available.

For these reasons we hope that the excellent conception of the Commissioner's Committee will be brought to full realization soon.

6. In addition we recommend that a planning grant fund be provided to the Regents annually for the purpose of stimulating inter-institutional cooperation, private and public, and to support other studies necessary for the accomplishment of the state's master planning objectives in higher education.

In the preceding chapter we noted that many promising opportunities exist for cooperation among colleges and universities in the state.

We have concluded that the best way to stimulate such cooperative enterprises is to provide funds for planning and for the staff effort necessary to work out detailed agreements preliminary to implementation.

There already exists within the State Education Department an Office of Administrative Services in Higher Education which is effectively assisting the private colleges in improving their operations and in stimulating cooperative programs. It is handicapped by a pitifully small budget. This office could effectively administer a grant program of the sort we envisage.

In addition the Department may wish to contract with the State or City universities or with private institutions, individually, or collectively, or with other agencies to carry out specific studies of higher education needs and resources as required for the full realization of its planning responsibilities.

We estimate that about $1 million annually should be provided for these purposes.

7. The emergence of the Commission on Independent Colleges as an effective spokesman for the private institutions should be encouraged — as long as it is a broadly representative body — by regarding it as the responsible source of planning information on the private sector for the use of the Regents, just as the State and City universities are presently so regarded with respect to the public sector.

Any effort on the part of the Regents themselves to bring all the disparate private institutions together to develop a "third master plan" would meet with considerable resistance and would probably fail.

It is fortunate therefore that a new organization, fostered and controlled by the private institutions of the state, is beginning to take shape (see Appendix I). The Commission on Independent Colleges, a part of the Association of Colleges and Universities of New York State, has just engaged a full-time president. Its membership is nearly all-inclusive. With skillful leadership, adequate staff and a substantial amount of cooperation from its member institutions it could become the effective third voice in the state and eventually the source of a "third master plan." Thus all of the organizational elements would be present for a creative mutual planning effort in which each of the three major participants would make its appropriate contribution.

Essential to the success of this Commission is the support of the largest and strongest private institutions in the state. As yet, it is not clear that they will provide sufficient trust, information and funds to enable the Commission to succeed.

The Regents can strengthen the Commission—though they cannot substitute for full membership support—by recognizing it as the voice of the private institutions and, when it achieves full operation, as the main source of responsible information concerning the plans, desires and realistic possibilities of the private sector. In support of these purposes the Regents might wish to contract with the Commission from time to time—employing planning grant funds as proposed above—to conduct studies of the private sector which would assist the Regents in their planning functions. We think it is critically important, however, that the Commission's main sources of funds should always be private if the independent character of the Commission is to be preserved.

B. DIRECT STATE AID

We have concluded that limited direct state aid to the private institutions is necessary. In the following pages we trace briefly the course of the deliberations which has led to this conclusion and the consequences as we see them: first, the need; second, the necessity that the aid be direct; third, the constitutional questions that direct aid raises; fourth, the conditions of state support; fifth and finally, a suggested aid program.

The Need

Chapter II documents the need. We have concluded that by 1970-71 there is a likelihood that the gap between income and expenses will be in the range of $30 to $35 million in the aggregate, consisting of expected operating deficits of about $20 to $25 million and deferred maintenance at an annual cost of $9 to $11 million. We believe that improved management can close part of the gap. However, maintenance of plant is deferred typically because of operating deficits or to avoid them and thus both the deficits and the deferred maintenance must be minimized to prevent further deterioration of facilities in which the state has an enormous stake.

We see the need as critical. Even though the gap to be filled represents less than 5% of the aggregate anticipated operating budgets, that small margin frequently determines whether the institution can maintain a competitive faculty salary scale or keep its campus in repair. It is doubly fortunate that the price is comparatively small, for the needed amount can be provided without great strain on the public purse and without critically compromising the independence of these private colleges and universities.

Direct Aid

Should the assistance be direct or indirect? We conclude from New York's experience with the Scholar Incentive Program that aid **via** the student turns out essentially to be aid **to** the student. We think that is good and should be continued. But our studies reported in the preceding chapter do not give support to the view that aid to the student has materially aided the institutions or that increased aid to the student in the future would "flow through" to the appreciable benefit of the institutions. If the aid is to be significant while still a modest amount in toto, it must be direct.

The Constitutional Questions

The decision to recommend direct assistance to private institutions by the State of New York at once requires an examination of the hard question whether such assistance should be given to colleges or universities which have a religious connection. The provisions of the New York State Constitution on church, state, and education are clear and firm. Article XI, Section 3 reads as follows: "Neither the state nor any subdivision thereof shall use its property or credit or any public money, or authorize or permit either to be used, directly or indirectly, in aid or maintenance, other than for examination or inspection, of any school or institution of learning wholly or in part under the control or direction of any religious denomination, or in which any denominational tenet or doctrine is taught, but the legislature may provide for the transportation of children to and from any school or institution of learning."

We quote this section in full to emphasize our view of its importance. In our judgment it would be wrong, both as a matter of law and as a matter of policy, for us to recommend to the Governor and the Regents any measures designed to provide assistance to colleges or universities which fall under the language of this Article unless at the same time we are prepared to recommend an appropriate amendment to the Constitution insofar as it applies to the four-year colleges and universities.

The Committee considered the possibility that it might leave this question to one side. Given the strong feelings which are engaged on both sides of this question in New York State, that course had obvious attractions. In this very year of 1967, the citizens of New York have had an energetic debate on the general question of their Constitution, and in the course of that debate arguments were set forth both for and against the provisions of Article XI, Section 3. It is true that for the most part these arguments centered upon the question of state assistance to elementary and secondary schools, and the particular issues affecting the college and university level were not in the foreground. But in earlier years when questions of legislation affecting colleges and universities have been under discussion, the reaction of New York's citizens has demonstrated that there is a real division of opinion at this level, too. In 1960, the Heald Committee recommended direct assistance to institutions of higher learning, but made no recommendation with respect to the constitutional question. In the debate that followed, there was firm opposition to direct assistance to institutions with a religious affiliation, and on the other side there was equally strong opposition to the notion of assistance to private secular institutions without assistance to others. It seems probable that the deadlock which developed on this point was responsible for the eventual decision in Albany to abandon the idea of direct aid and to move instead to the Scholar Incentive proposals. At least in 1961 there appears to have been no effective political consensus for direct assistance to secular institutions only, and none for assistance which would also include some institutions with a religious affiliation.

In practical terms, therefore, it seems likely that anyone who receives a recommendation for direct assistance from New York State to its private colleges and universities faces one of three choices: (1) to move toward an interpretation or amendment of the State Constitution which would permit the inclusion of some institutions which have a religious affiliation; (2) to overcome the strong political resistance of those who have insisted in the past that if there is to be aid to the secular institutions, religious institutions must also be included, or (3) to reject the recommendation. While it is not the responsibility of this Committee to assess the political considerations involved in this hard set of choices, it does seem to us right that we should offer our best educational judgment on the alternatives. Since we have already made clear our belief in the need for direct assistance, we come next to the question whether as a matter of sound educational policy such assistance should include any institutions which are "controlled in part or in whole by a religious denomination."

As we read the plain language of the State Constitution, we do not believe that we are free to recommend any direct assistance to institutions which fall under its language unless we also recommend a constitutional amendment. We know that the current Constitution also limits the ability of interested citizens to force a constitutional test of state legislation, and we have considered the argument that as a practical matter it might be possible to devise means of assistance which could not be successfully opposed in the courts. We do not think it right to make such a proposal. Despite interpretations by the New York courts limiting the scope of Article XI, Section 3, we believe that the plain language of the Constitution should not be ignored, and we therefore conclude that we must deal directly with the wisdom or unwisdom of the constitutional provision itself.

In the light of the difficulty and sensitivity of the issue, we are glad to be able to say that our own finding is clear and unanimous. We are convinced that in the field of higher learning the rigorous prohibitions of the present New York State Constitution are unwise. In this respect we sharply distinguish the elementary and secondary school and also the two-year college from the four-year college and the university.

The democratic argument for a single comprehensive public school system in each community simply does not apply, in our view, at the level of the four-year college and the university. The clear-cut tradition of this country is that there should be a wide variety of colleges and universities, supported in a wide variety of ways. Moreover, there has been a general recognition for many generations that privately controlled colleges and universities—if they are good—serve the public interest in a wider and deeper way than most private elementary and secondary schools. We intend no criticism of private schools; we are simply making the point that there is a pronounced and recognized difference between the public contribution of Columbia or Cornell and the public contribution of even the most distinguished of private elementary and secondary schools. The service of the schools is almost entirely a service through the students to whom they may offer unusual educational advantages. The service of the colleges and universities is wider—including as it does the learning of the faculties, the public value of their libraries, the professional service of the lawyers, doctors and engineers they train, and their general civic meaning as major institutions serving the community as a whole.

We are far from concluding that all religious institutions should have state assistance. On the contrary, we would oppose any assistance to institutions whose central purpose is the teaching of religious belief. We suggest that each institution applying for state funds be examined as a whole to determine if it is primarily a religious institution or primarily an institution of higher education. Clearly no seminary should have state help, in our view. We do not favor aid to those which are mainly concerned with the indoctrination of their own faithful. Nor should there be state assistance to any institution which discriminates in its admissions on religious grounds, any more than there should be aid to any which discriminates on grounds of race or color.

But we firmly reject the wider argument that all institutions of higher education having any religious connection should be ineligible. We think this kind of rigidity flies in the face of both logic and experience. History demonstrates that there is no automatic connection between the presence or absence of religious affiliation and the presence or absence of those qualities which make a college or university a major instrument of public service. There are secular institutions which are narrow and restrictive in their conception of their task; there are religious institutions which stretch outward to all men and to all human concerns.

We thus conclude that the flat and undiscriminating language of Article XI, Section 3, is a poor guide to effective choice at the level of the four-year college and the university. Yet we recognize the great importance of maintaining the separation of church and state. We have to consider, therefore, whether the disadvantages of the existing prohibition outweigh its real value as a safeguard against abuse. It is here that we find relevance in the protecting power of the First Amendment to the Federal Constitution. That Amendment has been clearly extended to the states by decisions of the Supreme Court. Interested citizens are limited under the Federal Constitution, as under the State Constitution, in their ability to force a constitutional test of legislation. The Supreme Court has before it a case that may remove these limitations. Whatever the outcome of that case, we adhere to the view we expressed with regard to the State Constitution that constitutional demands must be scrupulously met.

The Supreme Court has developed the following test for the constitutionality of legislation that has some effects on religious activities or institutions: If a law's primary purpose and effect is to benefit the public welfare—to promote some legitimate interest of the state not related to religion—the law will be upheld, even though persons of different religious persuasion benefit thereby or some incidental effect is felt by religious institutions, unless the secular purpose could reasonably have been achieved by other means with less effect on religious institutions. In the words of Mr. Justice Frankfurter in **McGowan v. Maryland** "... once it is determined that a challenged statute is supportable as implementing other substantial interests than the promotion of belief, the guarantee prohibiting religious 'establishment' is satisfied.... To ask what interest, what objective, legislation serves, of course, is not to psychoanalyze its legislators, but to examine the necessary effects of what they have enacted. If the primary end achieved by a form of regulation is the affirmation or promotion of religious doctrine—primary, in the sense that all secular ends which it purportedly serves are derivative from, not wholly independent of, the advancement of religion—the regulation is beyond the power of the state.... Or if a statute furthers both secular and religious ends by means unnecessary to the effectuation of the secular ends alone—where the same secular ends could equally be attained by means which do not have consequences for promotion of religion—the statute cannot stand."

Applying this test to our proposal, we find no violation of the First Amendment, because the primary purpose and effect of the state aid is to benefit education; and any aid to religious functions which might result from freeing an institution's funds for such purposes, would be incidental. Furthermore, we have shown that the secular end which is sought cannot be reasonably attained by other means such as scholarship grants or the Scholar Incentive Program.

A constitutional test more explicitly devised for a suit concerned with state aid to an institution with religious affiliations was applied by the Supreme Court of Maryland in the **Horace Mann League** case (see Appendix K). There the Court examined the institution as a whole—its administration, faculty, students, purposes, programs, and all other factors bearing on religious affiliation, to determine if it was primarily a religious institution. A test of this nature, also taking into account the institution's historical development toward or away from sectarian ties, is a possible alternative in the courts to the **McGowan** test and should be given appropriate consideration by the State Department of Education in screening applications for the direct assistance that we recommend.

If the Supreme Court were to review the constitutionality of state aid to institutions with some religious affiliation, it is uncertain whether the Court would apply the test of the **Horace Mann** case—the degree of religious affiliation of the recipient of aid—or the **McGowan** test—the purpose and effect of aid—or a combination of both tests. We have concluded that aid of the type recommended would be found consonant with the Constitution under both tests.

What we believe as a matter of law we believe also as a matter of institutional development. The majority of private colleges and universities in the country have begun with a religious connection close enough to place them under the ban of Article XI, Section 3. Harvard in the 17th Century was founded to educate future Congregational ministers, and her full emancipation from clerical control came only after two centuries. Columbia in the 18th Century began more broadly—but the spirit of tolerance in which ministers of five denominations were named as ex-officio governors would not seem so broad today. Cornell in the 19th Century was explicitly nondenominational—but equally explicitly "Christian." Yet all three are plainly secular today. This evolutionary process has now begun also in Catholic institutions. The best and most detached assessment of these institutions which we have seen is that of Christopher Jencks and David Riesman in two recent issues of **The Public Interest.** Jencks and Riesman conclude that the stronger Catholic colleges and universities, throughout the country, are moving away from narrow sectarian attitudes toward a broader concept of what a Catholic-sponsored college or university should be. We believe that this movement is greatly in the interest of all.

A still further argument for our view is to be found in the invariant practice of all agencies of the Federal Government, under all the statutes which now provide for assistance of one sort or another to colleges and universities. There is not one statute and not one administrative agency which undertakes to apply to the activities with which it deals a standard as stern as that of the New York State Constitution. We do not think it likely that all the legislators and administrators concerned with these matters are blind to the value of the historic separation between church and state. We think it more sensible to conclude that in their opinion there is no justification, in the current real condition of the American higher learning, for an arbitrary decision to exclude from Federal programs all colleges and universities which are under any degree of religious control or direction. We think such a view is right, and we think New York State should follow a similar policy.

We conclude, then, that in its application to higher education the Constitution should be amended. Our general belief is that in matters affecting relations among higher education, religion and the state, the State Constitution should not be more restrictive than the Federal Constitution.

The adoption of a special amendment to the New York Constitution is not a quick process. If such an amendment were presented and passed in the legislative session in 1968, it would have to be passed again by the legislature of 1969 before it could go to the voters. The earliest date for voter approval would be November 1969, and the earliest date on which the amendment could take effect would be January 1970. We therefore hope that if our recommendations commend themselves to the Governor and the Regents the process of amendment may be initiated promptly.

The Conditions of State Support

We are of the opinion that public funding of private institutions must be approached with care and caution. It is almost as easy to do harm as to do good with public aid. The outcome depends upon the amounts, the purposes and restrictions, and the procedures established for the funding. State support should not be provided in such a way or in such amounts that it robs the institutions of their independence or of their special excellence or of their appeal to private donors or of their incentives to achieve maximal efficiency.

Our attitude stems from a conviction that the independence of most of the private colleges and universities can be maintained over the long run. We do not see the next stage of development as a preliminary to the collapse of the private sector and eventual public control of all but a few institutions. Our review of the financial condition, resources and prospects of the private institutions of the state does not support any such calamitous view. Therefore we are eager that the relatively small amounts of direct aid now required to help sustain the private institutions should be provided under constructive conditions.

We have rejected categorical aid—aid specifically for faculty salaries or plant maintenance or computer installations, for example—because of our concern for the independence of the institutions and our belief that on the whole the best competitive environment will be maintained if each institution sets its own critical priorities.

We also advise against massive aid to selected individual institutions in critical difficulty. The case of the University of Buffalo is frequently cited as an instance in which the state could have preserved a private institution by supplying a few million dollars annually, while instead, by incorporating it into the State University system, the burden on the public purse was unnecessarily magnified. Our study of that situation (Appendix G) has led us to conclude that the quality of that institution has been markedly improved by its new public status; that only infusions on the scale applied by the State University could have brought it to its present level; that if public funds of that magnitude had been injected into a private institution its ability to continue to attract private support would probably have sharply diminished; and that independence of operation would probably have been impossible given such a scale of public aid. In other words there are conditions under which acquisition by a public institution is preferable to continued private operation, and Buffalo is such a case.

Thus far we have stressed the protection of the interests of the private institutions. Equally important are the conditions which must be met if public aid to private institutions is to serve the public interest—by the wise expenditure of public funds. In developing our proposals for aid we have been guided by these concerns as expressed in the following principles.

8. State aid should be available only for the support of education which is at least equal in quality to that provided in the public institutions of the state. The Regents should require of institutions receiving state aid an adherence to standards higher than those currently required for holding charters. They should establish standards of quality equally applicable to all public institutions of higher education and to all private colleges and universities receiving state aid.

Public funds must not be used to sustain at a subsistence level institutions which would better be dissolved or merged. We recognize the difficulties of developing objective defensible standards; these obstacles do not leave us any less convinced of the necessity for adherence to the principle.

The continuing upgrading of the State University, which we so warmly applaud, and the recognized excellence of the City University, provide a good baseline for development of standards. We suggest that no private institution is entitled to public funds which is inferior in quality to the minimum existing level among the comparable public institutions. We hope that a continuing improvement in the quality of the public institutions will provide a continually rising base level for the state. (We would expect, of course, that a number of the public institutions would stand well above this baseline, just as some do today.)

We suggest that representatives of the State University, the City University and the private institutions be brought into active participation in the development of these standards. Here the Regents have another opportunity to involve the Commission on Independent Colleges.

By institutions "superior in quality" we do not mean institutions limiting admission to students who have demonstrated high academic achievement. We endorse the support of institutions—and would like to see more of them developed —whose superior quality is evidenced by their ability to develop to their maximum the untapped capabilities of students whose potential was not developed during their secondary school years.

9. The Regents should require prompt and full financial reports, including a certified audit, of all institutions aided by the state, or having contracts with the state, such reports to be in a form prescribed by the Regents; and other appropriate evidence of sound management.

We find that even after the exertion of a considerable effort we have been able to obtain only a very approximate view of the past, present and future financial condition of the private colleges and universities. On a continuing basis the Regents will need readily usable documents containing information gathered and presented in comparable form. We suggest that the Regents consider adoption of the format developed by the American Council on Education.

10. State aid should be so formulated and administered as to minimize the danger of political interference on the campus; it must be evident to college adminis-

trators that no individual advantage is to be gained from direct appeals to the legislature.

In the aid program outlined below we have suggested several provisions which we hope will serve to maintain an appropriate distance between the individual college president or influential trustee and the legislature.

The Suggested Aid Program

11. Aid to eligible private colleges and universities should be calculated on the basis of numbers of earned degrees conferred annually, with differentials for the appropriate levels and types—the bachelor's degree, the master's degree, the doctorate—approximately proportional to average differences in cost. Such aid should be given by direct grant to eligible institutions for general educational purposes upon receipt by the State Education Department of an acceptable count of degrees conferred and other necessary evidences of eligibility.

Basing the aid formula on earned degrees conferred appears to offer certain advantages over a per-student calculation. The proposed method avoids the difficulties of defining student status—part-time, full-time, degree-credit, etc. It places an emphasis on productivity as against sheer numbers of students. If it provides incentives for improving retention rates and stepping up the completion rate of doctoral candidates we would not be distressed. It limits aid to the recognized degrees, beginning with the B.A., for which widely accepted standards exist. We believe the faculties of the institutions, and ultimately the Regents, can be relied on to protect the integrity of the degrees.

There are no studies available to show the relative costs of education for the various degrees in New York State private institutions. Most of the individual institutions do not have the data at hand on which to base such calculations. For an equitable distribution of funds it will be necessary for the State Education Department to conduct such studies periodically based upon data uniformly defined, and collected for the Department by the recipient institutions. Meanwhile we suggest that the program be started using the best available estimates.

Our proposal is that appropriately weighted grants should be given on the basis of earned degrees from the four-year bachelor's degree upwards. We do not recommend grants for work done at lower levels. The variety of the work done in private institutions which end at the 14th grade is so varied in quality and purpose as to defy any attempt to establish and maintain statewide standards of minimum quality. Moreover, both the private and the public sectors in New York are in the midst of rapid changes in their concepts of such two-year colleges. For these reasons we think it would be a mistake at this time to give direct grants for private two-year degrees.

For purposes of illustration we suggest that the relative weights for the degrees be set in some such manner as the following:

Bachelor's	n
Master's	n
Doctorate	6n

In our proposed formula we have equated the last two years of undergraduate education with the first year of graduate work.

The value of **n** can be assigned in accordance with the needs of the private sector and the availability of public funds. If **n** were set at $400 the result would be:

Bachelor's	$ 400
Master's	$ 400
Doctorate	$2,400

We recognize that this formula is somewhat crude. It is well known, for example, that a two-year M.A. is more costly than a one-year program, and that doctorates in the sciences are more costly as a rule than in the humanities. When appropriate cost comparison data are available it may be wise to refine the formula.

The suggested formula produces the following maximum levels of support in the years indicated.

Table 7

COST PER DEGREE GRANTED BASED ON FORMULA ABOVE

1965-66	
31,601 Bachelor's	$12,640,400
16,259 Master's	6,503,600
2,779 Doctorates	6,669,600
	$25,813,600
1970-71 (estimated)	
39,414 Bachelor's	$15,765,600
20,593 Master's	8,237,200
3,144 Doctorates	7,545,600
	$31,548,400
1975-76 (estimated)	
45,442 Bachelor's	$18,176,800
23,709 Master's	9,483,600
3,936 Doctorates	9,446,400
	$37,106,800

The actual amounts required would be less than indicated because of the possible ineligibility of some institutions either on constitutional grounds or because of failure to meet minimum standards set by the Regents.

Several details need to be settled. We will not comment on all of them. We would like however to present some reasons which we believe justify including students from out of state in the degree count for aid purposes. First, the state should not discourage the desirable cosmopolitanism of its most distinguished institutions; an unfortunate tendency toward parochialism would come into play if any institutions felt that they had to limit their out-of-state recruitment in order to receive maximum aid. Also many graduates will stay in New York when they complete their studies (some of the available data on mobility of graduates are contained in Appendix J). Furthermore New York should encourage reciprocation by other states, for New York "exports" many more students to other states than it "imports"; most of these "exports" are subsidized now at the private and public institutions they attend through tuition rates set below cost, by scholarships, etc. In addition there are reasons of equity: the State University of New York now subsidizes its out-of-state students through tuition rates which do not cover education costs; public funds in the hands of New York's private institutions should not be subjected to greater restriction. Finally, the amount of the proposed grant is a very small proportion of the total cost of education and the aid, after all, is not for the student but for the institution. All of these reasons combine to present a strong case for an unrestricted policy. The terms of the medical education grants provide a sound precedent for the proposed program.

12. A special study should be undertaken to determine the levels of grants appropriate to the specialized institutions (in technology, law, education, music, etc., but excluding theology) so that they will be aided to the same degree as the other private institutions.

In the calculations made above, these institutions have been included; they should be a part of the grant program from the outset. However, the health of these institutions is sufficiently important to the state to call for a special inquiry to see whether their costs are of a greater or lesser magnitude than those of the more general institutions. Appropriate adjustments in the aid formula should be made when the results of such a study are in hand.

13. The Board of Regents should seek the proposed funds from the state and disburse them when appropriated.

One of the strengths of the New York State educational structure is the insulation that the Board of Regents provides from direct appeals by educators to the legislature for support of their particular requests. We believe that categorical aid would be more likely to result in direct appeals by the college presidents to the legislature. The grant formula provides protection against this kind of action. In addition, however, we urge that the colleges make their case to their own Commission and to the Regents; that the Commission make its case to the Regents, not to the legislature directly; and that the appeals to the Executive and to the legislature be left to the Regents. For the same reasons the disbursement of the funds should be placed in the hands of the Regents as well.

14. To carry out the proposed program we suggest an annual expenditure which in 1970 would be approximately $33 million for:

• direct grants to institutions on a per-degree basis	$32 million
• planning grants	$ 1 million

15. It may be necessary to weigh, among many other considerations, the possibly conflicting claims on the tax dollar of an expanded Scholar Incentive Program on the one hand and direct aid to private higher education on the other. One program meets the needs of students and the other the needs of institutions. Seen in that perspective, both programs are clearly essential.

The studies we have carried out, summarized earlier in this report, have convinced us that the expansion of the Scholar Incentive Program, which carries its own justification—i.e., aid to students—will not produce significant financial benefits to the institutions they attend. The suggested expenditure represents less than 5% of the operating budgets of the private institutions, yet it would produce very significant benefits and for many institutions would represent the margin of difference between gradual decline and continuing improvement. We think it is a small price to pay for the continued vigorous health of private higher education in New York State.

16. Federal aid to higher education may be forthcoming in greater measure at some later date. New York State should not wait to see these uncertainties resolved, but should take steps now to assist the private institutions.

Too often the states wait to see what the Federal Government will do. There are so many imponderables affecting Federal action in these next few years that we cannot predict when direct aid to higher education may assume priority.

New York State, of all states, cannot afford to wait. There is too much at stake in New York to risk deterioration, or even loss of forward motion. If and when the Federal Government comes forward with aid the state program can be modified as necessary.

Appendix A

Freshman Enrollment
In Selected Colleges and Universities
in New York State

Freshman enrollment patterns were examined by means of two separate studies of full-time freshman matriculation. Forty-eight colleges with enrollments in the range of 300 to 4,000 were queried in one study[1] and the 16 largest universities in the state in the other.[2] Results were compiled separately and then compared.

The small colleges (with 55,500 full-time enrollees or 29% of the total full-time private institution enrollment) showed an increase of approximately 30% in freshman matriculation during the five-year period, 1961-66, with a slightly lower growth rate among schools with higher tuition charges. The extent of dormitory facilities did not seem to affect enrollment change while location in or near New York City was associated with a slower rate of increase. Church-related schools showed a higher increase in freshman applications than did non-church-related schools but they did not show a higher matriculation rate. Schools which increased their recruitment effort also showed a somewhat higher application and enrollment rate.

At the 16 large universities, which enrolled a total of 96,300 full-time students in 1966 (50% of all full-time enrollees in private institutions), 11% more freshmen matriculated in 1966 than in 1961, compared with a 30% increase for the smaller schools. Two universities had fewer freshmen, one as a matter of policy. Two others, by deliberate choice, maintained a constant number of freshmen. The other 12 schools showed average increases ranging from 7% to 51%.

Large and small schools alike, as well as those with a higher percentage of tuition increase, showed lower rates of enrollment growth, but the two groups of institutions differed in that those large schools with greater dollar increases in tuition showed a markedly lower rate of growth in enrollment.

Freshman growth in the larger institutions was somewhat higher among primarily residential than among primarily commuter schools, a differential which did not appear among the small colleges.

Large schools showed a faster growth rate in the New York metropolitan area than upstate, the reverse of the trend in the smaller colleges.

Large church-related schools, even more than the smaller ones, showed a greater increase in applicants than non-church-related schools but no greater increase in actual matriculants. Increased recruitment showed less correlation to increased enrollment than among smaller schools.

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[1] Nelson Associates, Inc., *A Study of Factors Related to Change in Freshman Enrollment at Private Colleges in New York State, 1961-66*. State Education Department, Albany, 1967. Exhibit A-1 contains a list of these institutions.

[2] Committee study. Exhibit A-2 contains a list of these institutions.

Following are the statistics on which the preceding summary is based:

(1) Whole Study Group

The 16 universities enrolled 11% more freshmen in 1966 than in 1961. Applications increased 33% and tuition rose 36%. Freshmen residing in college-approved housing rose from 46% in 1961 to 59% in 1966 and commuters dropped from 54% to 41%. Comparable figures from the 48 smaller schools are shown in Table A-1.

Table A-1
COMPARATIVE FIGURES FOR FORTY-EIGHT SMALL AND
SIXTEEN LARGE INSTITUTIONS, 1961-66

	Percentage Change	
	Small	Large
Freshman enrollment	+30%	+11%
Freshman applications . . .	+44	+33
Tuition	+39	+36
Residents	from 70 to 76	from 46 to 59
Commuters	from 30 to 24	from 54 to 41

(2) Church-Related and Non-Church-Related Schools

Large church-related schools increased their applications 47% compared with 29% for non-church-related schools. They offered admission to 30% more applicants compared with 18% for non-church-related schools. Both groups matriculated 11% more freshmen in 1966. Tuition rose 40% and college-housed freshmen 119% at church-related schools compared with 31% tuition rise and 55% college-housing increase for non-church-related schools. There were 2% less commuters at church-related schools and 19% less at non-church-related schools.

Comparable figures for smaller schools are shown in Table A-2.

Table A-2
CHURCH-RELATED AND NON-CHURCH-RELATED SCHOOLS
FORTY-EIGHT SMALL COMPARED WITH SIXTEEN LARGE INSTITUTIONS, 1962-66

	Percentage Change			
	Small		Large	
	Church-Related	Non-Church-Related	Church-Related	Non-Church-Related
Freshman enrollment . .	+30%	+29%	+ 11%	+11%
Freshman applications .	+46	+42	+ 47	+29
Offered admission . . .	+40	+34	+ 30	+18
Tuition	+42	+34	+ 40	+31
Residents	+36	+36	+119	+55
Commuters	−21	−10	− 2	−19

(3) Eleven New York City SMSA Schools Compared with Five Schools in Rochester, Ithaca and Syracuse*

Applications to the 11 large New York metropolitan area schools rose 43% while they rose only 18% at the other five. Freshman enrollment was up 12% in the City and 9% elsewhere. College-approved residences housed 111% more freshmen in non-New York City schools and 279% more in the New York area while commuters dropped about 17% at each. Tuition rose more than one-third in each group and remained higher in absolute dollars outside of New York City.

Comparable figures for smaller schools are shown in Table A-3.

Table A-3

NEW YORK CITY COMPARED WITH NON-NEW YORK CITY SCHOOLS
FORTY-EIGHT SMALL COMPARED WITH SIXTEEN LARGE INSTITUTIONS, 1961-66

	Percentage Change			
	Small		Large	
	NYC SMSA	Other	NYC SMSA	Other
Freshman enrollment . . .	+20%	+37%	+ 12%	+ 9%
Freshman applications . .	+25	+46	+ 43	+ 18
Tuition	+36	+43	+ 36	+ 33
Residents	+46	+ 4	+279	+111
Commuters	+12	+30	− 17	− 18

(4) Commuter Compared with Residential Schools

Nine of the large schools with 75% or more commuters in 1961 had a much higher increase in applications rate but a somewhat smaller increase in matriculation rate than those that were primarily residential.

Among smaller schools those with 20% or more commuters in 1961 did only slightly better in applications received and had a slightly higher increase in matriculation than those that were more residential.

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*Standard Metropolitan Statistical Area.

(5) Aggregate Statistics for Large and Small Schools

While the problems of large and small schools differ markedly in several aspects, combined statistics for the two groups give an overall picture of what is happening in the private institutions in the state. The 64 colleges and universities included in these two studies enroll more than 78% of those attending private schools full time.

Two indicators seem most worthy of note. The aggregate enrollment growth over the five-year period for all schools was 19% which is considerably less than the 28.7% growth in the 18 to 21-year-old population according to State Education Department figures. While the small colleges exceeded the population growth slightly, the large colleges fell far below it.

Secondly, the commuter population at private colleges fell from 52.5% to 41.2% or, in absolute numbers, from 14,032 to 13,093, suggesting that the public colleges are absorbing a greater number and percentage of students in this category.

Combined totals for both groups are shown in Table A-4.

Table A-4

COMBINED TOTALS FOR FORTY-EIGHT SMALL AND
SIXTEEN LARGE PRIVATE INSTITUTIONS, 1961-66

	Percentage Change
Freshman enrollments	+19.0%
Freshman applications	+37.4
Tuition	+37.9*
Residents	from 47.5 to 58.8
Commuters	from 52.5 to 41.2

*Weighted by number of schools, not by number of students.

The raw data on freshman matriculation, tuition and housing upon which this Appendix is based are shown in Exhibits A-3 and A-4 on pages 64 and 65.

Exhibit A-1

Alfred University[1]
Bard College
Bennett College
Briarcliff College
Canisius College
Clarkson College of Technology
Colgate University
College of Mount Saint Vincent-on-Hudson
College of New Rochelle
College of Saint Rose
Concordia Junior College
Elizabeth Seton College
Elmira College
Finch College
Good Counsel College
Hamilton College
Hartwick College
Hobart College[2]
Iona College
Ithaca College
Keuka College
King's College
Ladycliff College
Le Moyne College
Manhattanville College
Marist College
Marymount College
Marymount Manhattan College
Molloy Catholic College for Women
Mount Saint Mary College
Nazareth College of Rochester
Niagara University
Notre Dame College of Staten Island
Paul Smith's College
Pratt Institute
Roberts Wesleyan College
Rosary Hill College[3]
Sarah Lawrence College
Saint Bernardine of Siena College
Saint Bonaventure University
Saint Francis College
Saint John Fisher College
Saint Joseph's College for Women
Saint Lawrence University
Union College
Vassar College
Wagner College
Wells College

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[1] Excluding College of Ceramics (a public contract college).

[2] Excluding William Smith College.

[3] Excluding institutional branch which provides first two years of college for women entering religious life.

Exhibit A-2

Adelphi University
Columbia University
Cornell University
Fordham University
Hofstra University
Long Island University
  (C.W. Post, Brooklyn Center, Southampton)
Manhattan College
New York University
Pace College
Polytechnic Institute of Brooklyn
Rensselaer Polytechnic Institute
Rochester Institute of Technology
St. John's University
Syracuse University
University of Rochester
Yeshiva University

Exhibit A-3

RELATIVE CHANGE IN FRESHMAN MATRICULATION AND TUITION AS SHOWN BY INDEX NUMBER;[a] PERCENTAGE OF FRESHMEN HOUSED IN DORMITORIES OR OTHER COLLEGE-APPROVED HOUSING, AT FORTY-EIGHT SMALL PRIVATE COLLEGES IN NEW YORK STATE, 1962-66

Institution	Freshman Index	Tuition Index	Percentage of Freshmen in Dormitories or College-Approved Housing 1962-66
1.	117.3	120.0	94.1%
2.	127.7	122.9	NA[b]
3.	137.2	127.5	64.4
4.	141.5	135.6	97.9
5.	177.1	160.4	95.3
6.	104.3	146.3	NA[b]
7.	94.4	106.3	4.6
8.	137.8	127.5	63.3
9.	122.7	127.0	58.3
10.	114.3	NA[b]	84.3
11.	90.4	143.1	84.4
12.	124.2	NA[b]	100.0
13.	112.9	110.0	95.7
14.	147.1	110.6	18.2
15.	111.1	140.0	91.2
16.	103.2	112.3	100.0
17.	107.0	142.2	99.5
18.	106.4	118.3	67.5
19.	252.4	120.0	NA[b]
20.	367.5	112.5	74.4
21.	134.9	122.9	2.8
22.	111.4	120.0	2.5
23.	103.1	NA[b]	0
24.	101.0	110.6	99.1
25.	123.1	124.6	98.6
26.	111.5	131.9	NA[b]
27.	113.9	103.2	NA[b]
28.	132.8	132.0	89.7
29.	98.9	134.1	81.3
30.	139.4	132.9	48.2
31.	110.5	117.1	58.4
32.	123.7	121.4	100.0
33.	121.8	116.0	99.6
34.	102.6	112.0	NA[b]
35.	118.8	114.7	95.5
36.	130.9	108.4	100.0
37.	100.4	127.1	42.1
38.	92.3	152.4	0
39.	103.5	NA[b]	NA[b]
40.	98.5	113.6	96.0
41.	128.5	116.8	96.4

Institution	Freshman Index	Tuition Index	Percentage of Freshmen in Dormitories or College-Approved Housing 1962-66
42.	128.1	148.6	NA[b]
43.	123.4	138.0	36.6
44.	115.2	138.2	96.8
45.	129.0	112.0	99.4
46.	112.9	125.0	47.1
47.	80.3	133.3	57.2
48.	138.9	105.3	97.2

Exhibit A-4

RELATIVE CHANGE IN FRESHMAN MATRICULATION AND TUITION AS SHOWN BY INDEX NUMBERS;[a] PERCENTAGE OF FRESHMEN HOUSED IN DORMITORIES OR OTHER COLLEGE-APPROVED HOUSING, AT SIXTEEN LARGE UNIVERSITIES IN NEW YORK STATE, 1962-66

Institution	Freshman Index	Tuition Index	Percentage of Freshmen in Dormitories or College-Approved Housing 1962-66
1.	113.6	113.3	0%
2.	95.6	123.8	19.4
3.	100.3	130.7	NA[b]
4.	114.8	121.5	95.5
5.	103.8	109.1	100.0
6.	120.8	134.9	92.7
7.	120.4	113.0	37.7
8.	105.7	111.1	94.7
9.	106.5	118.8	10.5
10.	125.4	107.8	23.8
11.	108.6	131.2	32.0
12.	151.4	140.0	70.9
13.	105.1	122.4	88.5
14.	76.5	123.3	47.7
15.	113.0	119.8	0
16.	138.4	128.1	45.5

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[a] In order to determine the relative patterns of change in matriculation and tuition, index numbers for each school were determined by dividing the 1962-66 average value for the variable concerned by the 1961 value. For example, the matriculation rate for school 24 was constructed as follows:

Freshmen matricuated in:

1961	1962	1963	1964	1965	1966
434	444	456	451	433	411

Average number matriculated, 1962–66: 438.4

1962-66 average divided by 1961 number: $\frac{438.4}{434} = 101.0$

[b] NA = Not available.

Source: Nelson Associates, Inc., *A Study of Factors Related to Change in Freshman Enrollment at Private Colleges in New York State, 1961-66*, State Education Department, Albany, 1967.

Appendix B

FULL-TIME ENROLLMENT
NEW YORK STATE COLLEGE AND UNIVERSITY ENROLLMENT PROJECTIONS
BASIC PROJECTIONS BY TYPE AND CONTROL OF INSTITUTION, 1967-81

(in thousands)

	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1980-81
Four-Year Colleges	329.57	342.22	354.69	371.38	386.33	401.49	415.06	428.38	444.15	503.01
Private	202.25	206.27	210.05	216.40	223.32	230.17	235.92	241.32	248.17	265.88
Public	127.31	135.96	144.63	154.98	163.01	171.32	179.14	187.06	195.98	237.13
CUNY	55.20	58.87	62.75	67.57	69.79	71.99	73.86	75.63	77.67	93.42
SUNY	72.12	77.09	81.89	87.41	93.22	99.32	105.28	111.43	118.32	143.72
Two-Year Colleges	73.33	81.32	90.34	101.11	112.16	124.02	136.15	148.95	162.61	215.58
Private	7.25	7.62	8.46	9.45	9.97	10.51	11.02	11.55	12.14	14.37
Public	66.07	73.70	81.89	91.66	102.19	113.51	125.12	137.41	150.48	201.20
Ag. & Tech. Coll.	10.07	10.59	11.13	11.81	12.46	13.14	14.33	15.01	15.78	21.56
Community Coll.	56.00	63.11	70.76	79.85	89.73	100.37	111.34	122.39	134.70	179.65
New York City	18.53	21.60	24.92	28.82	33.40	38.36	42.99	47.92	53.40	71.86
Other	37.47	41.51	45.84	51.03	56.83	62.54	68.35	74.48	81.31	107.79
New York State Total	402.89	423.54	445.03	472.50	498.49	525.51	551.21	577.33	606.76	718.58
Total Private	209.50	213.89	218.51	225.85	233.29	240.68	246.94	252.87	260.30	280.25
Total Public	193.39	209.65	226.52	246.64	265.20	284.83	304.27	324.46	346.46	438.34
Total CUNY	55.20	58.87	62.75	67.57	69.79	71.99	73.86	75.63	77.67	93.42
Total SUNY	138.20	150.78	163.77	179.08	195.41	212.83	230.40	248.83	268.80	344.92

Distribution calculated using 1966 base college input rate of 38.9 with annual incremental increase of 1.1, and undergraduate-graduate ratio of 10.0 for 1967-68, 9.5 for 1968-69 and 9.0 for 1969-81.

Source: State Education Department, Office of Planning in Higher Education, Albany, 1967.

FULL-TIME ENROLLMENT
NEW YORK STATE COLLEGE AND UNIVERSITY ENROLLMENT PROJECTIONS
BASIC PROJECTION BY LEVEL OF PROGRAM, 1967-81

(in thousands)

Year	Undergraduate	Graduate	First Professional	Total*
1967-68	344.72	34.47	13.70	402.89
1968-69	360.86	37.99	14.70	423.54
1969-70	377.40	41.93	15.70	445.03
1970-71	401.22	44.58	16.70	472.50
1971-72	423.71	47.08	17.70	498.49
1972-73	447.13	49.68	18.70	525.51
1973-74	469.36	52.15	19.70	551.21
1974-75	492.60	54.73	20.00	577.33
1975-76	519.09	57.68	20.00	606.76
1976-77	544.26	60.47	20.00	634.73
1977-78	566.20	62.91	20.00	659.11
1978-79	585.71	65.08	20.00	680.79
1979-80	603.87	67.10	20.00	700.97
1980-81	619.73	68.86	20.00	718.58

*10.000 unclassified constant carried through to annual total.

Note: Distribution calculated using 1966 base college input rate of 38.9 with annual incremental increase of 1.1, and undergraduate-graduate ratio of 10.0 for 1967-68, 9.5 for 1968-69 and 9.0 for 1969-81.

Source: State Education Department, Office of Planning in Higher Education, Albany, 1967.

Appendix C

EXCERPT FROM STATE EDUCATION LAW CONCERNING MASTER PLANNING PROCEDURE

Laws of New York.—By Authority

CHAPTER 388

AN ACT to amend the education law, in relation to the regents plan for the development and expansion of facilities for higher education in New York state and establishing the city university of New York, and repealing section eight hundred fifty-four thereof

Became a law April 11, 1961, with the approval of the Governor. Passed, on message of necessity, pursuant to article III, section 14 of the Constitution, by a majority vote, three-fifths being present

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. The education law is hereby amended by adding thereto a new section, to be section two hundred thirty-seven thereof, to read as follows:

§ 237. Regents plan for higher education including approved plans of state university and city university of New York. 1. The regents shall, once every four years, review the proposed plan and recommendations required to be submitted by the state university trustees pursuant to section three hundred fifty-four of this chapter and the proposed plan and recommendations of the board of higher education in the city of New York required to be submitted pursuant to section sixty-two hundred two of this chapter, and upon approval of such plans by the regents they shall be incorporated into a regents plan or general revision thereof for the expansion and development of higher education in the state. Such regents plan shall include the plan and recommendations proposed by the state university trustees and the plan and recommendations proposed by the board of higher education in the city of New York and may include plans with respect to other matters not comprehended within the plan of the state and city universities, including but not limited to improving institutional management and resources, instruction and guidance programs, financial assistance to students and extension of educational opportunities through library resources and television. In the development of such plans due recognition shall be given to that historical development of higher education in the state which has been accomplished through the establishment and encouragement of private institutions. In determining the need for additional educational facilities in a particular area, the plans and facilities of existing public and private institutions shall be fully evaluated and considered.

2. During the calendar year nineteen hundred sixty-four and each fourth year thereafter the regents shall evaluate all available information with respect to the plans and facilities of private institutions and shall review and act upon the proposed plan and recommendations of the state university trustees and upon the proposed plan and recommendations of the board of higher education in the city of New York and incorporate such information, recommendations and each of the component plans so acted upon into a tentative regents plan or general revision thereof for the expansion and development of higher education in the state. Copies of such tentative regents plan or general revision thereof, as the case may be, shall be made available to the trustees of the state university, the board of higher education in the city of New York and the governing boards of all other institutions of higher education admitted to the university of the state of New York. Thereafter, after giving due notice, the regents shall conduct one or more hearings on such tentative regents plan or general revision thereof.

3. The regents shall transmit their plan or general revision thereof for the expansion and development of higher education in the state to the governor and the legislature on or before the first day of December, nineteen hundred sixty-four and each fourth year thereafter, and such plan or general revision thereof shall become effective upon its approval by the governor.

4. Any modification recommended by the state university trustees or by the board of higher education in the city of New York to their respective plans, theretofore formulated and approved pursuant to section three hundred fifty-four or section sixty-two hundred two of this chapter shall be reviewed by the regents who may hold one or more hearings thereon after giving due notice thereof. As approved by the regents, such modification shall be made a part of the respective plans of the state university and of the city university and shall, together with any modifications the regents may make to that portion of their plan for the expansion and development of higher education in the state not comprehended in the plans of the state and city universities, be transmitted to the governor and the legislature, all of which shall then become effective upon approval by the governor as modifications of the regents plan. By the first day of November in each of the three years following the promulgation of the regents plan or general revision thereof, the regents shall summarize and report to the governor and the legislature any modifications made pursuant to this subdivision and shall include in such report a statement on the progress made in implementing the regents plan and their general recommendations with respect to higher education.

EXPLANATION — Matter in *italics* is new; matter in brackets [ ] is old law to be omitted.

Appendix D

REVIEW OF CERTAIN FINANCIAL AND STATISTICAL DATA OF TWENTY-NINE PRIVATELY SUPPORTED COLLEGES AND UNIVERSITIES IN NEW YORK STATE FOR THE FISCAL YEARS 1959-60 THROUGH 1965-66*

The colleges and universities included in this study represent a wide range of institutions with respect to size, diversity of programs, and geographic location within New York State. While all are "privately supported" many are receiving both state and Federal funds to support specific operating or capital projects. Some of the institutions are church-related, while others are completely independent of such affiliations.

While there are over 100 privately supported colleges and universities in the state (exclusive of two-year colleges), the 29 institutions included in this study comprise a significant portion of the total, as follows:

	Approximate Proportion of Total for Private Institutions in New York State
Enrollment	65%
Student fees	80
Total current funds income	80
Book value of plant assets	70
Market value of endowment investments	70

For purposes of this report the institutions are divided into two groups. Group I consists of 17 small to medium-sized colleges whose academic programs consist almost entirely of four-year programs terminating at the bachelor's level. Group II consists of 12 medium to large universities offering programs through the doctoral level.

All of the institutions included in the study were asked to provide copies of their audited financial reports for the years 1959-60 through 1965-66. On-site visits were made to some schools.

In Group I (four-year colleges) current income per full-time equivalent student (FTES) enrollment has risen from $1,303 in 1960 to $1,973 in 1966, a total of 51% and current expenditures have risen from $1,187 to $1,658, a total of 40% while FTES enrollment has risen 48%. In Group II (universities) current income has risen from $1,382 to $2,202, a total of 60% and current expenditures from $1,275 to $2,974, a total of 62% during the same period while FTES enrollment rose only 30%.

Exhibit D-1 on page 72 discloses that Group I institutions have had an excess of income over expenditures and transfers during the period and that the reverse situation has occurred in Group II. However individual institutions vary greatly. In Group I, nine of the 17 institutions appear to have improved their financial position, six have remained approximately the same and two have declined. In Group II, improvements in financial position are shown for five institutions; a declining position is revealed in five others while two remained the same.

A study of sources of current income (Exhibit D-2 on page 73) indicates that student fees provided from 73% to 76% of income at Group I institutions during the period studied and from 66% to 67% at Group II institutions. In Group I, endowment income decreased from 11% to 7% of current income, and in Group II declined from 12% to 10%. Gifts remained at about 11% in Group I and varied from 15% to 17% in Group II. The increase in "other sources," from 5% to 8% in Group I and from 6% to 7% in Group II, is attributable chiefly to the growth in net income from auxiliary enterprises exclusive of charges for debt service and before distribution of overhead costs.

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*Memorandum prepared for the Committee by Peat, Marwick, Mitchell & Co.

The dollar volume of operations of such facilities as residence halls, cafeterias and bookstores has increased at a faster rate than educational and general operations. The increased use of borrowed capital to finance these facilities has necessitated increased net income to provide for debt service.

Both groups have apparently maintained a relatively constant mix of income sources while increasing their combined total dollars of income by approximately 93% from 1960 to 1966.

There also was little change in the pattern of allocating resources among major operating functions in both groups (Exhibit D-3 on page 74). Instruction and departmental research received a fairly constant 49% of Group I expenditures, and dropped from 60% in 1960 to 57% in 1966 for Group II. Instructional expenditures could be expected to represent a greater cost at the universities because of the smaller class size and higher salaries for senior faculty required for graduate programs. Library costs remained 4% to 5% of expenditures in both groups and physical plant maintenance received a decreasing amount from each–15% in 1960 to 13% in 1966 at Group I and 12% to 11% in Group II. Student aid received a slightly higher proportion of expenditures in Group I (5% to 6%) and a far greater rise in Group II (from 6% to 9%). Administrative costs remained a fairly constant 27% in Group I and 18% in Group II.

Exhibit D-1

SUMMARY OF CURRENT INCOME, EXPENDITURES AND TRANSFERS, FISCAL YEARS 1960-66

(in thousands of dollars)

GROUP I	1960	1961	1962	1963	1964	1965	1966	Total for Seven Years
Current income—net	$ 21,256	23,964	27,134	29,708	34,291	40,408	46,851	223,612
Current expenditures—net	19,359	21,349	23,734	26,171	30,502	34,271	39,380	194,766
Transfers:								
Debt service	748	1,053	1,254	1,560	2,049	3,308	4,072	14,044
Unexpended plant funds	1,214	1,432	1,654	1,605	2,328	2,274	2,569	13,076
Loan funds	22	25	65	54	81	202	119	568
Total expenditures and transfers	21,343	23,859	26,707	29,390	34,960	40,055	46,140	222,454
Excess of income (expenditures and transfers)	$ (87)	105	427	318	(669)	353	711	1,158
GROUP II								
Current income—net	152,421	168,048	188,366	211,502	228,640	255,184	288,945	1,493,106
Current expenditures—net	140,606	157,341	174,735	197,371	216,679	242,087	272,639	1,401,458
Transfers:								
Debt service	1,315	1,986	2,602	2,562	3,801	9,459	6,853	28,578
Unexpended plant funds	7,754	9,128	9,596	10,852	10,993	9,016	10,315	67,654
Loan funds	33	84	372	75	62	76	112	814
Total expenditures and transfers	149,708	168,539	187,305	210,860	231,535	260,638	289,919	1,498,504
Excess of income (expenditures and transfers)	$ 2,713	(491)	1,061	642	(2,895)	(5,454)	(974)	(5,398)

Exhibit D-2

CURRENT INCOME BY SOURCE

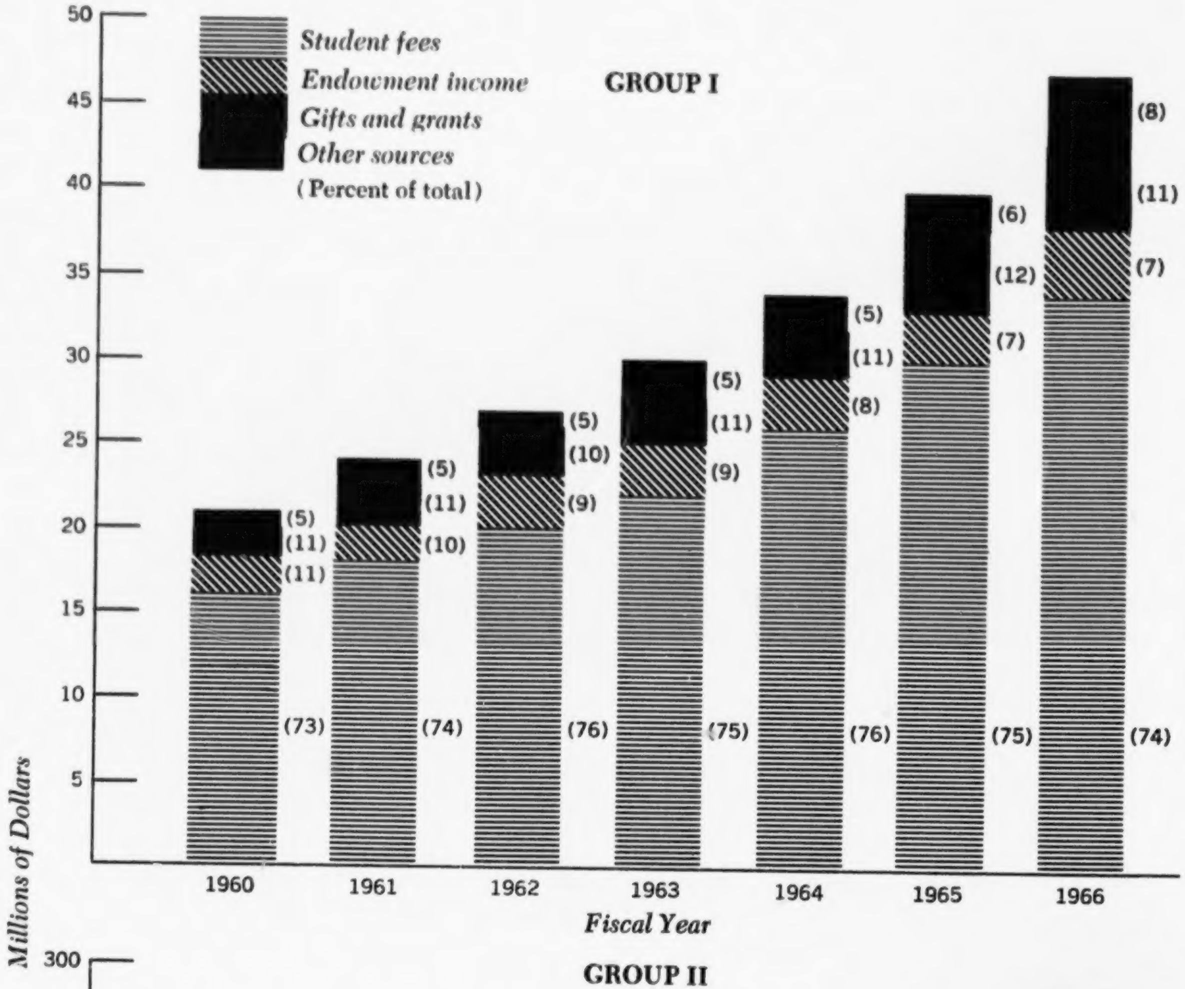
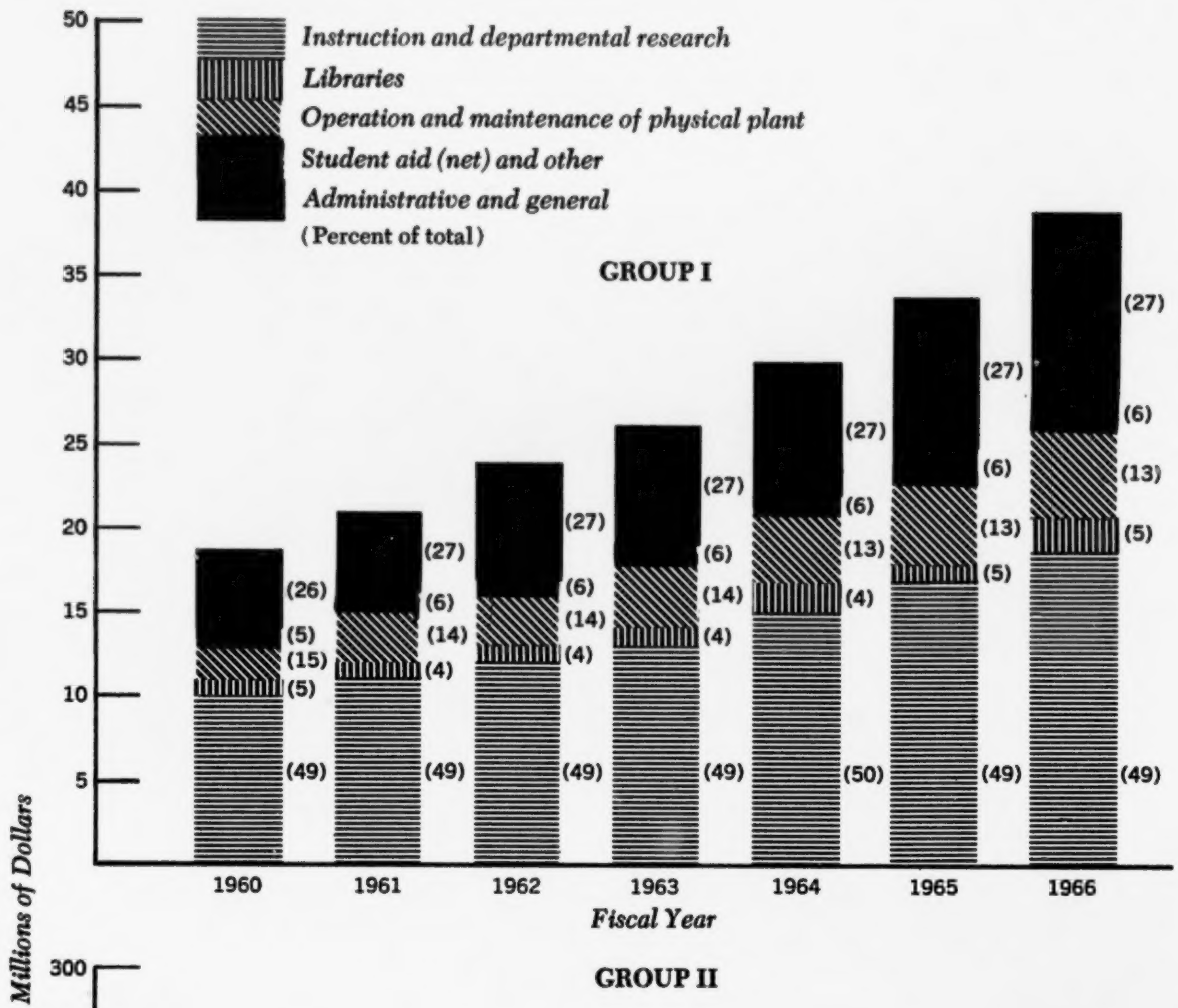


Exhibit D-3

CURRENT EXPENDITURES BY FUNCTION



From 1960 to 1966 total endowment funds including realized gains (Exhibit D-4 on page 76) grew from $63.3 to $99.9 million in Group I colleges. Group II universities experienced an increase in these funds from $437.1 to $661.9 million. In both groups the excess of quoted market values of investments grew over the six-year period, Group I increasing $16.9 to $23.6 million, and Group II rising from $145.3 to $315.6 million.

The increase in endowment and similar funds is greater proportionately than is the increase in endowment income. This disparity might be explained in several ways. First, there probably has been a shift in investment portfolios from fixed-income securities having high current yields to equity investments having greater capital appreciation potential with lower current yields. Second, there may have been an increase in restrictions on the use of income of endowment funds. A third factor might be the establishment of, or an increase in, endowment income stabilization reserves. Such reserves are intended to equalize endowment income in periods of unusually low yields. During the time when the reserves are being established, however, amounts reported as income from endowments would be somewhat less than that actually earned.

Another important item deserving recognition is the net increases in book value of funds functioning as endowment over the seven-year period for Groups I and II: $4.777 and $76.772 million respectively.

The growth in fixed assets, land, land improvements, buildings, equipment and library books was substantial in both groups (Exhibit D-5 on page 77). Group I increased from $97.4 to $203.8 million in this period, an increase of 109%. The increase in Group II was 97% as plant assets rose from $475.9 million in 1960 to $936.1 million in 1966. The major source of financing was borrowed funds so that outstanding indebtedness for Group I rose from $17.1 million in 1960 to $81.9 million in 1966 and for Group II from $56 to $260.3 million in the same period. Thus 40% of the value of plant assets in Group I was covered by debt in 1966 and 28% in Group II. In terms of indebtedness per FTES, Group I showed a rise from $1,046 to $3,448 and Group II from $508 to $1,983.

Exhibit D-4

ENDOWMENT AND SIMILAR FUNDS

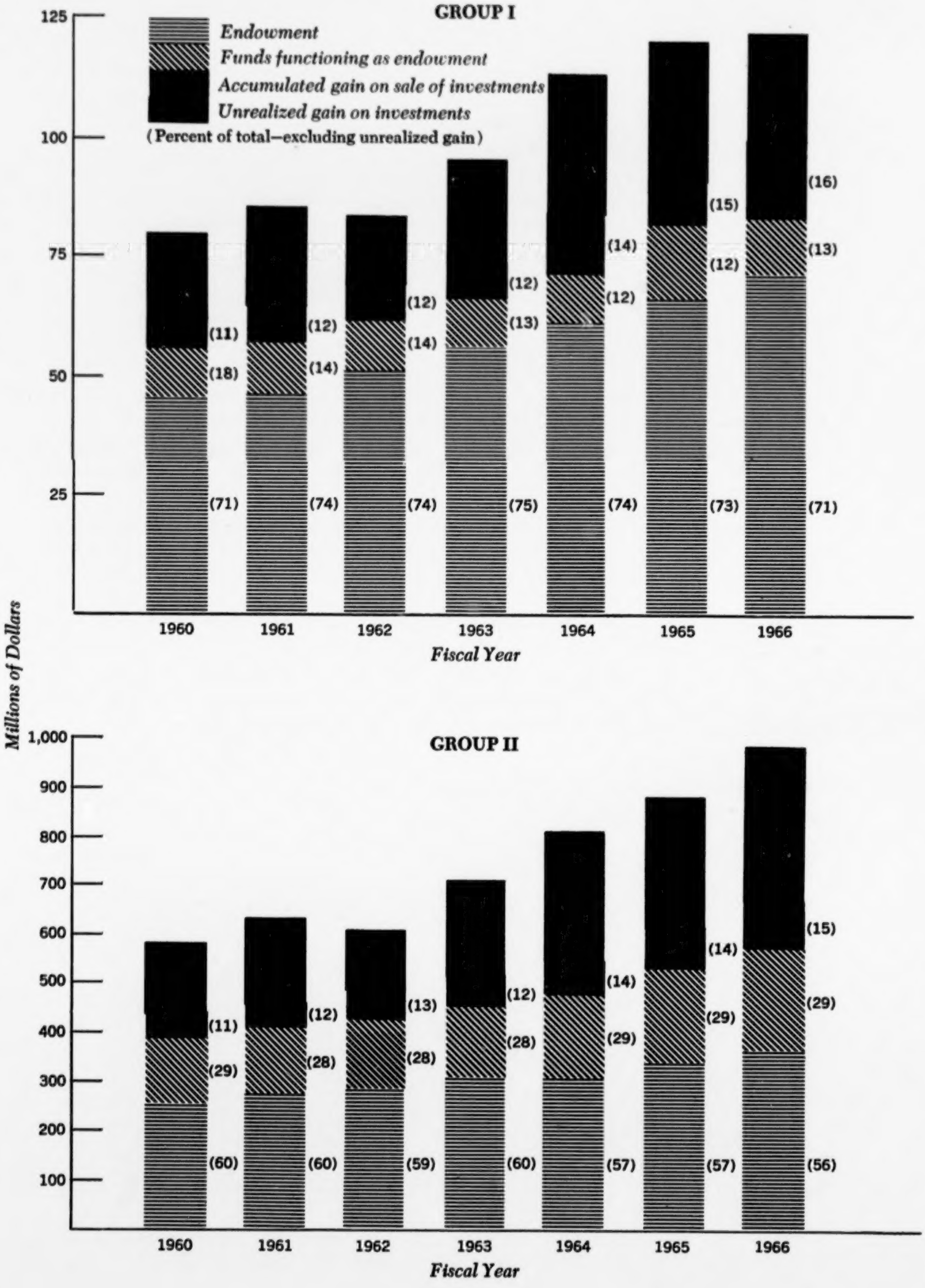
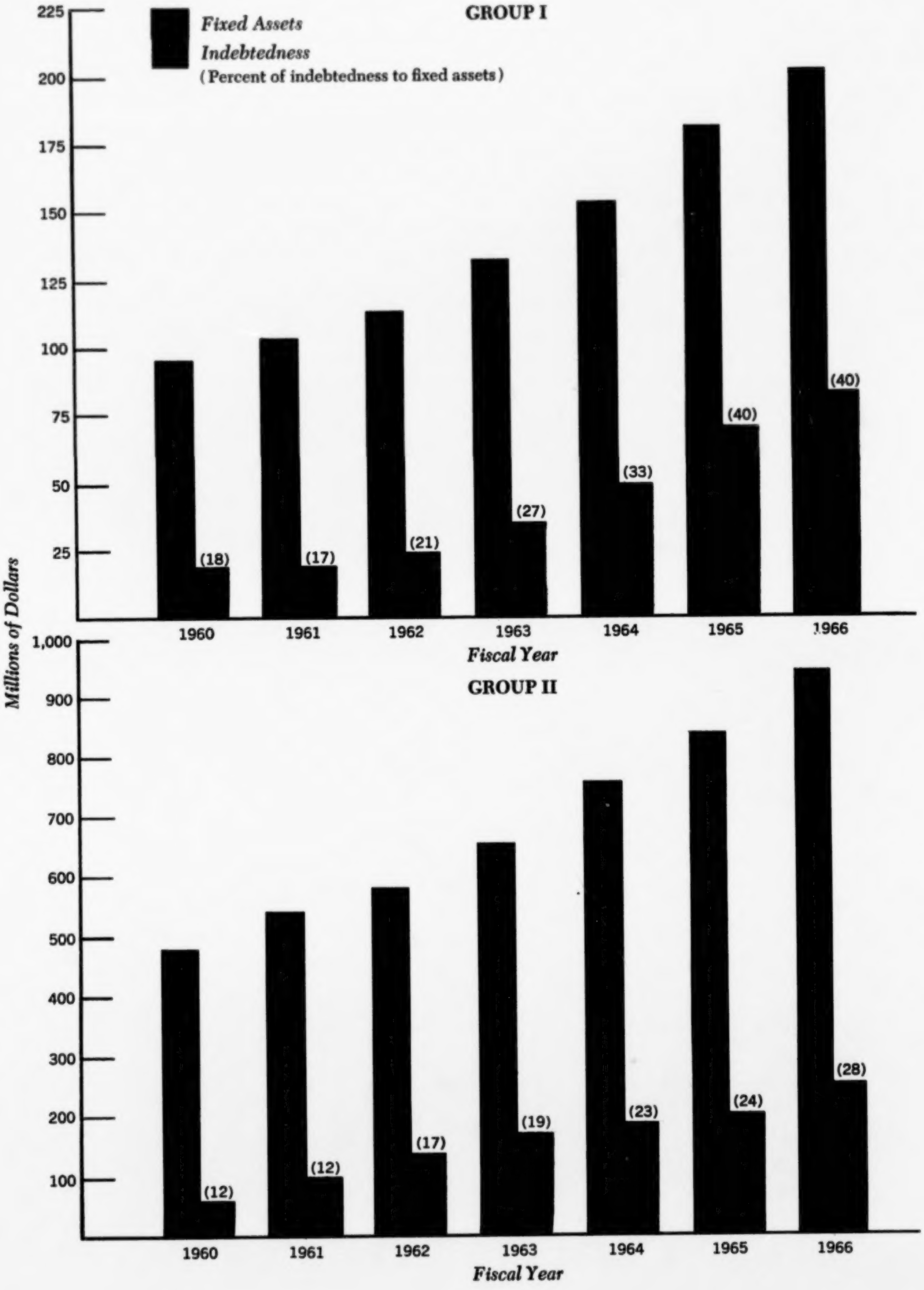


Exhibit D-5

PLANT FIXED ASSETS AND INDEBTEDNESS



During this same period Group I institutions transferred $27.1 million and Group II $96.2 million from current income to plant funds to provide for additions to plant assets and to service outstanding debt (Exhibit D-1 on page 72).

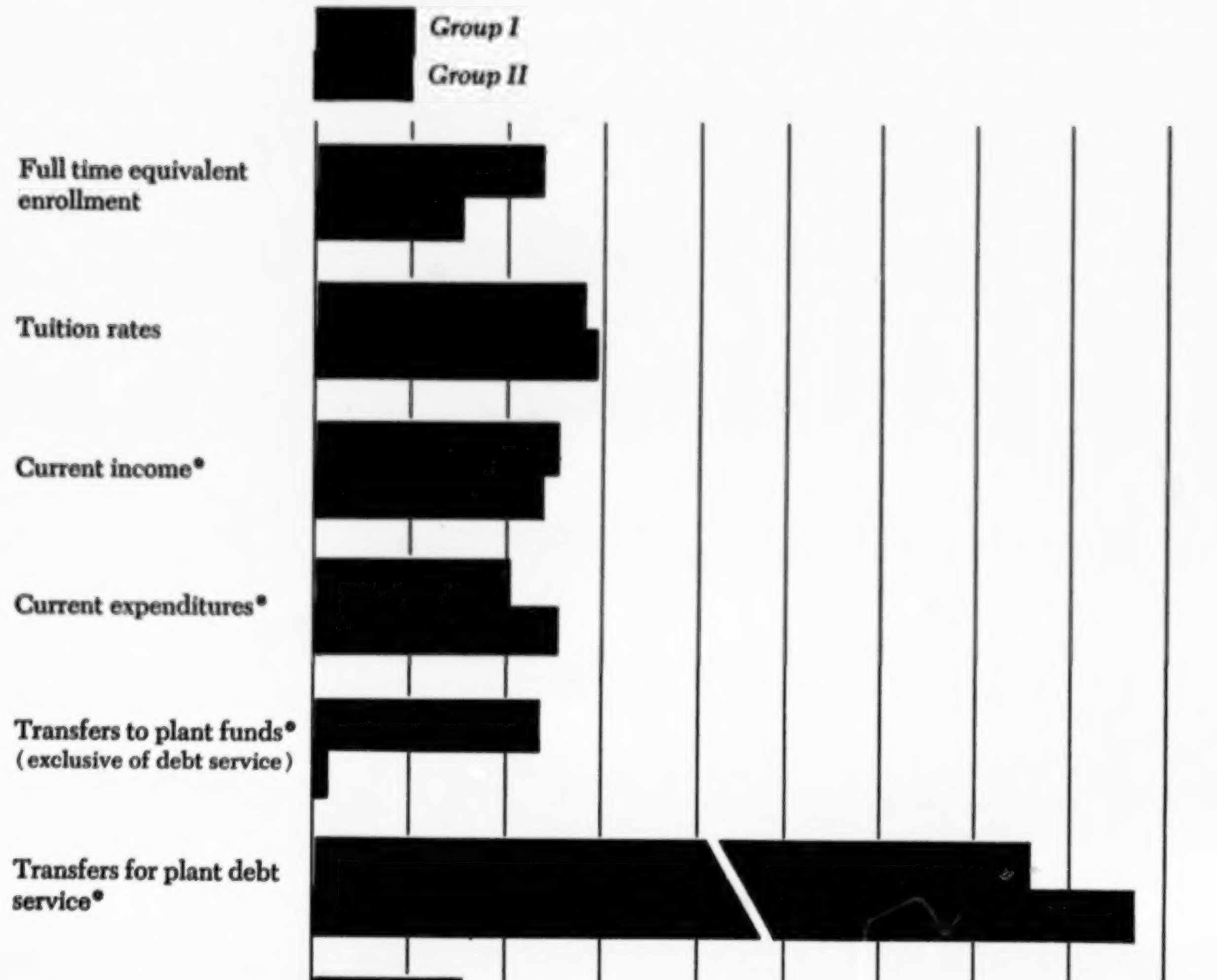
An examination of the changes in the financial status of these institutions during the period studied shows that the most significant increases per FTES have been in transfers for plant debt service, which have risen 272% in Group I and 294% in Group II, and for plant indebtedness, which have risen 230% and 259% respectively (Exhibit D-6 on page 79). Transfers of current income to plant funds for plant addition rose more precipitously for Group I than for Group II.

Tuition rates rose 54% and 58% respectively. However, where there was a wide range among institutions in both groups in 1960, the median tuition charged in 1966 was much closer to the mean. Schools which had the lowest tuition rates in 1960 increased their rates much faster than those whose rates were already high in comparison with the rest of the group. This may indicate some sense of what the "market" is willing to spend and what the "competition" is offering.

Exhibit D-6

PERCENTAGE CHANGES OVER SIX-YEAR PERIOD FROM 1959-60 TO 1965-66

GROUPS I AND II



*Per full-time equivalent students

An item deserving consideration is the amount of current funds available at fiscal year end which, in Exhibit D-6, has been equated on an FTES basis. Current funds consist of moneys which are available to meet future current operating expenditures. These funds are either restricted by outside donors or agencies, hence available only for specified programs, or are unrestricted insofar as outside donors are concerned. Unrestricted or general current funds may be designated or reserved for particular activities by the governing board, but such designations can be reversed at any time. This distinction between restricted and unrestricted or general current funds is not consistently followed by all institutions even though such a practice is recommended. When combining the balances of the 29 institutions into the two groups for purposes of this report, the classifications used by each institution in its balance sheet were followed. As a result the distinction between general and restricted current funds may be somewhat misstated. Nevertheless it may be well to look at these amounts separately as follows:

Table D-1

CHANGES IN CURRENT GENERAL FUNDS AND CURRENT RESTRICTED FUNDS, 1960-66

	Group I	Group II
	(in thousands of dollars)	
Current general funds:		
Balance in 1966	$1,602	$ 2,235
Balance in 1960	762	12,302
Increase (decrease)	840	(10,067)
Current restricted funds:		
Balance in 1966	5,403	100,226
Balance in 1960	3,041	66,331
Increase	2,362	33,895
Total net increase	$3,202	$ 23,828

While there is an overall increase in the total category of current funds, there is a significant decrease in current general funds. Group II current general fund balances at the end of 1966 consist of nine universities with surpluses totaling $5.877 million and three universities with deficits totaling $3.642 million. Group I includes four colleges with deficits totaling $851,000 in 1966.

Those institutions having current general fund deficits showed some unexpended balances of current restricted funds. This could mean that the institutions involved have been able to generate support for some programs and not for others thus leading to an imbalance in their demand for funds. Since true current restricted funds cannot be used for other purposes short of relief in the courts, serious financial difficulties may be indicated for these institutions. Still it must be remembered that improper classification of fund balances can lead the reader to incorrect conclusions.

A more detailed presentation of the factors on which this report was prepared may be found in Exhibit D-7 on pages 82-87 (Colleges) and Exhibit D-8 on pages 88-91 (Universities).

It should be noted that while averages and group totals are valuable in establishing a general framework within which broad policy problems can be discussed, the specific conditions relating to separate institutions must be considered in determining how policy decisions may be implemented.

At the present time there are significant differences in reporting practices which make impossible an incisive analysis and comparison of the financial position and results of operations of the privately supported colleges. Perhaps the most important contribution of the report relates to the trends which it portrays.

Exhibit D-7

GROUP I INSTITUTIONS (Colleges)

Selected Financial and Statistical Data by Institution, Fiscal Years 1960 and 1966

	Institution Code	G	
	Fiscal Year	1960	1966
	Current funds:		
A	Percent of expenditures by function:		
	Instruction	50%	48%
	Library	5	12
	Plant maintenance	10	7
	Administration and general	26	25
	Student aid and other	9	8
B	Amount of expenditures per FTES	$ 621	$ 990
	Amount of transfers per FTES for:		
	Debt service	–	206
	Plant additions	182	477
	Loan funds	–	–
	Total expenditures and transfers per FTES	$ 803	$ 1,673
C	Amount of income per FTES	$ 855	$ 1,504
D	Percent of income by source:		
	Student fees	65%	59%
	Endowment income	1	1
	Gifts and grants	27	31
	Other sources	7	9
E	Auxiliary enterprises:		
	Net income (loss) before debt service	$ 20,000	$ 57,000
	Debt service	–	100,000
	Net income (loss)	$ 20,000	$ (43,000)
F	Net increase (decrease) in general fund	$ 21,000	$ (82,000)
G	General fund balance (deficit)	$ 79,000	$ 72,000
H	Restricted fund balances	–	4,000

Q		A		K		H	
1960	1966	1960	1966	1960	1966	1960	1966
46%	45%	42%	38%	44%	43%	43%	41%
6	6	6	4	3	4	6	5
23	21	11	15	22	16	20	18
25	28	29	37	28	34	28	34
—	—	12	6	3	3	3	2
$ 1,888	$ 2,572	$ 2,374	$ 2,099	$ 1,729	$ 1,587	$ 2,015	$ 2,602
107	42	42	170	52	251	65	105
—	—	18	246	23	124	26	129
—	—	—	—	—	6	1	6
$ 1,995	$ 2,614	$ 2,434	$ 2,515	$ 1,804	$ 1,968	$ 2,107	$ 2,842
$ 1,981	$ 2,743	$ 2,266	$ 2,430	$ 1,651	$ 1,970	$ 2,111	$ 2,910
72%	71%	86%	76%	49%	70%	58%	56%
21	15	2	1	3	2	25	25
7	3	11	8	16	7	10	8
—	11	1	15	32	21	7	11
$ (4,000)	$ 75,000	$ 4,000	$ 141,000	$ 171,000	$ 285,000	$ 68,000	$ 182,000
—	24,000	12,000	101,000	18,000	180,000	46,000	87,000
$ (4,000)	$ 51,000	$ (8,000)	$ 40,000	$ 153,000	$ 105,000	$ 22,000	$ 95,000
$ (6,000)	$ 73,000	$ (48,000)	$ (51,000)	$ (53,000)	$ 2,000	$ 3,000	$ 57,000
$ (76,000)	$ (25,000)	$ (459,000)	$ (430,000)	$ (53,000)	$ 25,000	$ 173,000	$ 291,000
23,000	16,000	22,000	46,000	11,000	74,000	385,000	544,000

Exhibit D-7 (continued)

Institution Code	F		M	
Fiscal Year	1960	1966	1960	1966
Current funds:				
A Percent of expenditures by function:				
Instruction	41%	45%	49%	42%
Library	5	5	3	8
Plant maintenance	20	10	13	12
Administration and general	28	34	24	32
Student aid and other	6	6	11	6
B Amount of expenditures per FTES	$ 897	$ 1,441	$ 734	$ 1,321
Amount of transfers per FTES for:				
Debt service	84	160	47	256
Plant additions	52	46	64	72
Loan funds	1	7	–	2
Total expenditures and transfers per FTES	$ 1,034	$ 1,654	$ 845	$ 1,651
C Amount of income per FTES	$ 1,034	$ 1,647	$ 919	$ 1,667
D Percent of income by source:				
Student fees	67%	67%	63%	62%
Endowment income	1	1	1	1
Gifts and grants	26	20	28	27
Other sources	6	12	8	10
E Auxiliary enterprises:				
Net income (loss) before debt service	$ 40,000	$ 170,000	$ 63,000	$ 115,000
Debt service	54,000	140,000	–	115,000
Net income (loss)	$ (14,000)	$ 30,000	$ 63,000	$ –
F Net increase (decrease) in general fund	$ –	$ (6,000)	$ 62,000	$ 14,000
G General fund balance (deficit)	$ 34,000	$ (280,000)	$ 93,000	$ 149,000
H Restricted fund balances	2,000	37,000	23,000	81,000

O		N		I		E	
1960	1966	1960	1966	1960	1966	1960	1966
55%	47%	50%	43%	40%	48%	40%	42%
6	6	6	8	3	5	4	4
12	14	12	8	18	14	14	13
27	30	21	26	36	28	35	34
–	3	11	15	3	5	7	7
$ 857	$ 1,290	$ 854	$ 1,138	$ 1,053	$ 1,420	$ 1,170	$ 1,624
57	214	36	211	9	97	70	150
101	51	34	3	(31)	46	47	76
–	6	–	2	–	2	–	5
$ 1,015	$ 1,561	$ 924	$ 1,354	$ 1,031	$ 1,565	$ 1,287	$ 1,855
$ 992	$ 1,614	$ 1,049	$ 1,475	$ 1,089	$ 1,707	$ 1,289	$ 1,864
75%	80%	58%	71%	69%	77%	85%	86%
–	1	1	–	6	2	4	3
23	15	34	15	18	8	3	2
2	4	7	14	7	13	8	9
$ (1,000)	$ 66,000	$ 42,000	$ 186,000	$ 25,000	$ 281,000	$ 62,000	$ 186,000
–	77,000	25,000	243,000	5,000	129,000	72,000	209,000
$ (1,000)	$ (11,000)	$ 17,000	$ (57,000)	$ 20,000	$ 152,000	$ (10,000)	$ (23,000)
$ (11,000)	$ 54,000	$ 87,000	$ 139,000	$ 34,000	$ 189,000	$ 2,000	$ 13,000
$ 35,000	$ 11,000	$ 93,000	$ 590,000	$ (42,000)	$ 220,000	$ 47,000	$ 139,000
–	13,000	7,000	31,000	16,000	73,000	68,000	224,000

Exhibit D-7 (continued)

	Institution Code	P		D	
	Fiscal Year	1960	1966	1960	1966
	Current funds:				
A	Percent of expenditures by function:				
	Instruction	54%	56%	48%	47%
	Library	8	8	5	5
	Plant maintenance	15	13	11	10
	Administration and general	22	21	28	30
	Student aid and other	1	2	8	8
B	Amount of expenditures per FTES	$ 2,224	$ 2,644	$ 1,635	$ 2,288
	Amount of transfers per FTES for:				
	Debt service	56	33	75	81
	Plant additions	126	271	—	208
	Loan funds	—	—	—	—
	Total expenditures and transfers per FTES	$ 2,406	$ 2,948	$ 1,710	$ 2,577
C	Amount of income per FTES	$ 2,406	$ 2,949	$ 1,737	$ 2,606
D	Percent of income by source:				
	Student fees	57%	53%	73%	66%
	Endowment income	30	28	12	11
	Gifts and grants	14	16	9	18
	Other sources	(1)	3	6	5
E	Auxiliary enterprises:				
	Net income (loss) before debt service	$ (163,000)	$ (119,000)	$ 113,000	$ 176,000
	Debt service	79,000	55,000	103,000	136,000
	Net income (loss)	$ (242,000)	$ (174,000)	$ 10,000	$ 40,000
F	Net increase (decrease) in general fund	$ —	$ 1,000	$ 37,000	$ —
G	General fund balance (deficit)	$ 168,000	$ 159,000	$ 40,000	$ —
H	Restricted fund balances	1,724,000	3,060,000	522,000	421,000

B		C		J		L	
1960	1966	1960	1966	1960	1966	1960	1966
58%	57%	48%	53%	55%	50%	55%	50%
4	5	2	2	—	4	3	3
8	9	19	9	14	18	14	13
26	23	25	28	25	22	21	27
4	6	6	8	6	6	7	7
$ 882	$ 1,385	$ 1,029	$ 2,096	$ 873	$ 1,367	$ 796	$ 1,236
12	134	90	151	7	470	22	80
234	84	103	90	76	176	51	7
6	10	—	—	—	18	4	3
$ 1,134	$ 1,613	$ 1,222	$ 2,337	$ 956	$ 2,031	$ 873	$ 1,326
$ 1,040	$ 1,688	$ 1,243	$ 2,337	$ 954	$ 2,083	$ 835	$ 1,317
84%	75%	81%	77%	90%	83%	95%	91%
2	2	8	4	—	—	2	1
13	18	2	13	2	3	—	3
1	5	9	6	8	14	3	5
$ (2,000)	$ 147,000	$139,000	$ 264,000	$ 39,000	$ 592,000	$ 57,000	$ 187,000
—	204,000	135,000	289,000	10,000	1,364,000	50,000	173,000
$ (2,000)	$ (57,000)	$ 4,000	$ (25,000)	$ 29,000	$ (772,000)	$ 7,000	$ 14,000
$ (137,000)	$ 139,000	$ 31,000	$ —	$ (3,000)	$ 153,000	$ (106,000)	$ (32,000)
$ 290,000	$ (116,000)	$ 50,000	$ 50,000	$ 53,000	$ 384,000	$ 237,000	$ 363,000
—	6,000	157,000	482,000	—	163,000	81,000	128,000

Exhibit D-8

GROUP II INSTITUTIONS (Universities)
Selected Financial and Statistical Data by Institution,
Fiscal Years 1960 and 1966

	Institution Code	L		H	
	Fiscal Year	1960	1966	1960	1966
	Current funds:				
A	Percent of expenditures by function:				
	Instruction	58%	59%	54%	58%
	Library	5	5	2	4
	Plant maintenance	16	13	17	11
	Administration and general	21	17	26	25
	Student aid and other	—	6	1	2
B	Amount of expenditures per FTES	$ 1,443	$ 2,580	$ 1,389	$ 2,514
	Amount of transfers per FTES for:				
	Debt service	18	46	—	7
	Plant additions	21	23	9	—
	Loan funds	—	—	2	1
	Total expenditures and transfers per FTES	$ 1,482	$ 2,649	$ 1,400	$ 2,522
C	Amount of income per FTES	$ 1,481	$ 2,649	$ 1,422	$ 2,308
D	Percent of income by source:				
	Student fees	69%	72%	71%	76%
	Endowment income	28	23	3	3
	Gifts and grants	5	7	24	20
	Other sources	(2)	(2)	2	1
E	Auxiliary enterprises:				
	Net income (loss) before debt service	$ (89,000)	$ (122,000)	$ (3,000)	$ 22,000
	Debt service	25,000	65,000	—	24,000
	Net income (loss)	$ (114,000)	$ (187,000)	$ (3,000)	$ (2,000)
F	Net increase (decrease) in general fund	$ (2,000)	$ —	$ 77,000	$ (772,000)
G	General fund balance (deficit)	$ 45,000	$ 29,000	$ 389,000	$(2,081,000)
H	Restricted fund balances	810,000	1,085,000	303,000	452,000

I		A		E		D	
1960	1966	1960	1966	1960	1966	1960	1966
49%	52%	64%	57%	47%	47%	59%	56%
4	7	3	5	3	2	6	6
11	9	9	10	13	10	12	12
22	20	18	23	24	24	18	17
14	12	6	5	13	17	5	9
$ 2,542	$ 3,839	$ 1,418	$ 1,500	$ 1,024	$ 1,431	$ 895	$ 1,415
31	141	76	55	–	89	2	20
304	39	52	75	210	90	–	65
–	–	2	1	2	7	–	4
$ 2,877	$ 4,019	$ 1,548	$ 1,631	$ 1,236	$ 1,617	$ 897	$ 1,504
$ 2,941	$ 3,789	$ 1,550	$ 1,756	$ 1,252	$ 1,708	$ 952	$ 1,437
38%	51%	83%	91%	94%	89%	88%	90%
29	30	1	1	1	–	3	2
25	12	8	2	–	1	9	8
8	7	8	6	5	10	–	–
$ 71,000	$ 555,000	$212,000	$ 161,000	$ 26,000	$ 88,000	$ (38,000)	$ (158,000)
71,000	633,000	85,000	199,000	–	–	16,000	111,000
$ –	$ (78,000)	$127,000	$ (38,000)	$ 26,000	$ 88,000	$ (54,000)	$ (269,000)
$ 261,000	$(1,231,000)	$ 6,000	$ 681,000	$ 52,000	$ 649,000	$ 380,000	$ (588,000)
$3,443,000	$ 1,725,000	$419,000	$1,668,000	$ (688,000)	$ 865,000	$1,235,000	$ 426,000
12,621,000	16,208,000	182,000	1,622,000	58,000	165,000	798,000	795,000

Exhibit D-8 (continued)

	Institution Code	C		J	
	Fiscal Year	1960	1966	1960	1966
	Current funds:				
A	Percent of expenditures by function:				
	Instruction	54%	55%	60%	60%
	Library	6	8	2	3
	Plant maintenance	17	10	12	13
	Administration and general	17	20	20	18
	Student aid and other	6	7	6	6
B	Amount of expenditures per FTES	$ 2,147	$ 3,610	$ 800	$ 1,153
	Amount of transfers per FTES for:				
	Debt service	—	—	—	—
	Plant additions	—	—	149	104
	Loan funds	—	—	—	—
	Total expenditures and transfers per FTES	$ 2,147	$ 3,610	$ 949	$ 1,257
C	Amount of income per FTES	$ 2,207	$ 3,597	$ 955	$ 1,285
D	Percent of income by source:				
	Student fees	62%	55%	93%	94%
	Endowment income	10	13	1	4
	Gifts and grants	25	33	—	—
	Other sources	3	(1)	6	2
E	Auxiliary enterprises:				
	Net income (loss) before debt service	$ (284,000)	$ (273,000)	$ (43,000)	$ 17,000
	Debt service	—	—	—	—
	Net income (loss)	$ (284,000)	$ (273,000)	$ (43,000)	$ 17,000
F	Net increase (decrease) in general fund	$ 482,000	$ (118,000)	$ 42,000	$ 292,000
G	General fund balance (deficit)	$ 959,000	—	$4,226,000	$ 624,000
H	Restricted fund balances	15,613,000	31,399,000	1,222,000	1,264,000

F		B		K		G	
1960	1966	1960	1966	1960	1966	1960	1966
45%	48%	79%	74%	54%	47%	56%	51%
5	5	6	6	4	4	2	3
16	13	8	10	10	10	13	14
30	26	5	6	25	23	21	22
4	8	2	4	7	16	8	10
$ 917	$ 1,359	$ 3,255	$ 4,550	$ 1,506	$ 2,681	$ 1,604	$ 2,774
36	156	11	60	45	138	10	28
132	298	76	88	139	200	76	13
3	2	—	—	—	—	—	—
$ 1,088	$ 1,815	$ 3,342	$ 4,698	$ 1,690	$ 3,019	$ 1,690	$ 2,815
$ 1,119	$ 1,887	$ 3,424	$ 4,706	$ 1,693	$ 3,013	$ 1,710	$ 2,777
93%	95%	40%	42%	78%	70%	75%	69%
—	—	30	24	2	1	5	4
2	1	26	29	3	13	15	19
5	4	4	5	17	16	5	8
$ (1,000)	$ 622,000	$ 342,000	$ 929,000	$1,136,000	$3,431,000	$ 53,000	$ (274,000)
—	751,000	108,000	732,000	471,000	1,868,000	45,000	247,000
$ (1,000)	$(129,000)	$ 234,000	$ 197,000	$ 665,000	$1,563,000	$ 8,000	$ (521,000)
$120,000	$ 230,000	$ 819,000	$ 98,000	$ 27,000	$ 31,000	$ 434,000	$ (810,000)
$(50,000)	$(370,000)	$ 1,529,000	$ 465,000	$ (27,000	$ 75,000	$ 822,000	$(1,191,000)
66,000	490,000	20,515,000	25,730,000	3,322,000	4,469,000	10,821,000	16,547,000

Appendix E

SUMMARY OF STUDY OF FINANCIAL CONDITION OF ELEVEN COLLEGES AND UNIVERSITIES IN NEW YORK STATE*

The institutions whose data are included in this report represent a wide range in terms of size, diversity of programs, and geographical location within New York State. Some of these institutions are church-related while others are completely independent of such affiliations.

The selected institutions agreed to participate in a more detailed study of their total operation than that covered in the previous study in an attempt to determine the nature, extent and trends of their need for financial assistance above the resources available to them from which private and independent education has been traditionally financed in the past.

In view of the short time available for such an in-depth study, we had to limit our examination to one past period, the last fiscal year and one projection year. The year selected for the past period was 1963-64 due to our estimate that this would be as far back as it would be possible to find necessary data readily available. The projection year of 1970-71 was selected because it represented a period of time in the future equal to the past period and also seemed to be as far in the future as it would be possible for the institutions to plan with any degree of reliability.

In order to answer the basic questions posed by the Select Committee, it was considered necessary to evaluate enrollment, student aid, faculty employment and productivity, faculty salaries, non-academic employment and salaries, and to determine for each major activity area the cost of operation, both direct and indirect, and the resources available to meet such costs.

While it was recognized that each of these institutions is unique and that results would reflect the institutions' own programs, policies, location, student mix and educational quality objectives, it was felt necessary to treat each institution on as comparable a basis as possible. It was also recognized that data would be on varying bases at the different institutions. Due again to the time limitations for this study, a series of common definitions were established, which are set forth in Exhibit E-12 on page 133, and the allocation of indirect cost to the various activities was reduced to the lowest number of common denominators believed to be consistent with normal costing practices in the field of higher education. Activity Cost Centers consist of the following:

1. Instruction and departmental research
2. Sponsored research
3. Extension and public services
4. Auxiliary activities
5. Medical centers
6. Other related activities

Indirect costs were grouped into the following categories and distributed to the Activity Cost Centers as defined after each category:

1. **Administrative and General** (includes all costs of central administration, central services, accounting and financial control and fund raising)—distributed on the basis of dollar volume of expenditure.
2. **Plant Operation and Maintenance** (includes all costs of maintenance and operation except grounds, alterations and improvements, utilities services and extraordinary maintenance where identifiable)—distributed on the basis of space assignment.
3. **Student Services** (includes all registration, testing and counseling, student activities and administration of student aid)—distributed on the basis of full-time equivalent student population.
4. **Student and Faculty-Related Cost** (includes library and operation and maintenance of grounds)—distributed on the basis of combined full-time equivalent student and faculty population. Faculty population in this case includes research personnel.
5. **Special Indirect Costs** (includes Provost or Academic Vice President's Office, dormitory supervision, utilities, alterations and improvements, and extraordinary maintenance costs)—distributed to user activity on the appropriate basis for each type of cost.
6. **Student Aid** — Student aid income netted against student aid expense. The remaining unfunded student aid was deducted from tuition income.

In view of the fact that each institution is unique and has its own financial problems, a separate exhibit has been prepared for each institution. Each exhibit contains a subsection on the availability of data found at that institution.

Overall conclusions are set forth on page 132.

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*Memorandum prepared for the Committee by Peat, Marwick, Mitchell & Co.

Exhibit E-1

INSTITUTION A

Statistical and Financial Data

	1963-64	1966-67	1970-71
Credit hours (excluding medical)	330,621	369,600	380,492
Student-faculty ratio	12.6:1	12.1:1	11.7:1
Credit hours per faculty member on duty	328	326	313
Average faculty salary			
Professor	$16,233	$18,539	$21,615
Associate professor	10,761	12,767	15,443
Assistant professor	8,412	10,010	12,142
Instructor	6,750	7,621	8,781
Net financial results of current operations by activity (in thousands of dollars)			
Instruction and departmental research	$ 3,637	$ (245)	NA*
Sponsored research	(394)	584	NA*
Extension and public service	—	—	—
Auxiliary activities	(255)	(189)	NA*
Medical center	(1,684)	(2,105)	NA*
Intercollegiate athletics	(304)	(399)	NA*
Transfers for plant additions	(1,000)	(200)	—
Net surplus (deficit)	$ 0	$(2,554)	$(4,582)
Cost of instruction per full-time equivalent student (non-medical)	$ 2,757	$ 3,330	NA*
Cost of instruction per credit hour (non-medical)	$ 95	$ 114	NA*

*NA = Not available.

INSTITUTION A

Institution A is a large multi-program, coeducational institution located in a densely populated urban setting. It is independent, nonsectarian and privately supported.

The institution offers a wide range of undergraduate, graduate and professional programs and operates an evening session and a summer session in addition to its regular day session. Its programs are heavily research-oriented. Such research covers a broad range of interests, involving all areas of academic activity.

AVAILABILITY OF DATA

While statistics on enrollment, faculty and non-academic employment as well as financial data were available for 1963-64 and 1966-67, they could not be interrelated at a detailed program level. As a result, it was necessary to combine diverse program cost centers so that statistical data could be related to financial data. In addition the audit for 1966-67 had not been completed. We therefore worked from the institution's unaudited financial reports.

Data on credit-hour production were available for 1963-64 but were not available for 1966-67. The figures shown in this report were developed by extrapolating 1963-64 data. The same is true for credit-hour production in 1970-71. This, however, seemed valid in that the institution indicated no basic changes were contemplated in the academic program.

Full-time equivalent students were computed on the institution's basis that while any student taking more than 12 credits per semester is considered a full-time enrollee, 15 credits per semester are required for a full-time equivalent enrollment. This formula has been applied to all levels of instruction.

No projection of income and expense was available at the time of our visit to the campus. The institution subsequently prepared a 1970-71 projection on a broad basis but this was not capable of analysis or allocation of indirect expense to the direct expense of the various activities. Furthermore it does not identify expenditure by academic program activity which prohibits analysis of trends and causes of financial need on a program or activity basis.

OBSERVATIONS AND CONCLUSIONS

The financial data of the institution show an increasing need for additional resources over and above the additional resources developed through tuition increases and endowment income. This need, however, is predicated on continuing the current academic operation, faculty productivity, faculty salary increases and growth of research programs through the projection year 1970-71.

Our study of this institution shows the following:

(a) Enrollment

The increase in enrollment has been and is projected to be modest. This is largely due to the institution's existing space limitations. Additional land holdings are being sought to permit the expansion of the physical plant but it will not be possible to construct new facilities within the projection period.

(b) Faculty Productivity

There has been a slight decline in faculty productivity.

(c) Faculty Salaries

Faculty salary increases are projected to be continued at a 7% per annum rate which is the rate the institution considers necessary to maintain its present competitive position.

(d) Sponsored Research

Expenditures for government-sponsored research are projected to continue growing at the rate of 5% per annum. A cutback in government spending for research probably would result in less income than that now planned.

(e) Student Aid

In 1963-64 unfunded student aid was 8.1% of total non-medical tuition and fees. In 1966-67 this percentage increased to 10.7%. In 1966-67 the unfunded student aid would almost offset the year's deficit. The institution predicts that, as tuition rates increase in future years, an even higher percentage of student aid will be required.

(f) Fund Raising

The institution has undertaken a major campaign to increase the endowed funds. Included in this campaign is a commitment to maintain the 1966-67 level of operating support from current fund raising. The projection for 1970-71, therefore, includes a substantial rise in endowment income but no change in income availed of from gifts and grants. If the institution is successful in this campaign effort, it would mean raising endowment gifts at an annual rate of 11 times the projected 1970-71 deficit.

(g) Non-academic Employment

There is no projected expansion of administrative and support personnel or costs other than a 5% increase to reflect additional costs due to inflation. This appears to be reasonable.

(h) Physical Plant

One new structure is anticipated to be on line by 1970-71. The annual maintenance cost for this facility is projected at $715,000. The planned use of this facility, however, will not affect materially the present limitation on general academic space.

(no p.97)

Exhibit E-2

INSTITUTION B

Statistical and Financial Data

	1963-64	1966-67	1970-71
Credit hours (excluding medical)	573,052	581,200	709,009
Student-faculty ratio	11.3:1	11.4:1	12.8:1
Credit hours per faculty member on duty	287	279	317
Average faculty salary			
Professor	$14,075	$16,326	$20,225
Associate professor	9,884	11,163	13,829
Assistant professor	8,126	9,305	11,527
Instructor	6,054	7,375	9,136
Net financial results of current operations by activity (in thousands of dollars)			
Instruction and departmental research	$ 1,644	$ 4,097	$ 5,295
Sponsored research	(1,546)	(2,782)	(3,568)
Extension and public service	(306)	(629)	(2,193)
Auxiliary activities	(160)	(727)	(457)
Other organized activities	(417)	(198)	(308)
Medical center	663	(180)	(300)
Intercollegiate athletics	NA*	NA*	NA*
Transfers for plant additions	(707)	(167)	–
Net surplus (deficit)	$ (829)	$ (586)	$(1,531)
Cost of instruction per full-time equivalent student (non-medical)	$ 1,160	$ 1,515	$ 1,755
Cost of instruction per credit hour (non-medical)	$ 52	$ 66	$ 73

*NA = Not available.

INSTITUTION B

Institution B is a complex institution operating in a highly populated urban setting. It is independent, nonsectarian, coeducational and privately supported. Programs are offered at several different geographical locations within the same metropolitan area.

The institution provides a wide range of undergraduate, graduate, professional, and adult education programs. Further, it offers a significant evening program which provides educational opportunities to those who must work in the daytime. An extensive research program is conducted with studies covering a broad scope of interests.

AVAILABILITY OF DATA

Financial data for the 1966-67 year were not readily available. Faculty effort data were not available. The information supplied with regard to non-academic employment seems questionable as does that for space and equipment assigned. Financial plans for 1970-71 consisted for the most part of mathematical projections rather than projections based on planned programs. Full-time student equivalents were calculated on the basis of a 15 credit-hour load for undergraduates and a 12 credit-hour load for graduate students.

OBSERVATIONS AND CONCLUSIONS

From the data available, it appears that Institution B has need for additional support. The institution is experiencing an adverse trend in its finances to the extent that it has no general fund surplus to absorb the current operating deficit which it has incurred in recent years. As a result, these deficits have the effect of reducing the institution's reserve funds invested with the endowment funds.

In evaluating the institution's need for additional support, one should consider the following points:

(a) Planned Expenditures

Plans for the 1970-71 fiscal year indicate that the amount of the operating deficit will increase. The projected expenditures for this period do not seem to be unrealistic when compared with plans of other institutions.

(b) Planned Income

The enrollment estimates appear to be achievable. Planned tuition increases are similar to those planned by other comparable institutions. Although past tuition increases have not been a limiting factor on enrollment, the institution's administrative group believes that higher increases than those planned would have that result. Institutional plans indicate continued growth of the research program supported in large part by government agencies. A cutback in government spending for research probably would result in less income than that now planned.

(c) Number of Faculty

Reference to the statistical data indicates that the institution plans to increase the student-faculty ratio between now and 1970. This seems to represent an effort on the part of the institution's administration to limit the amount of the operating deficit. It should be pointed out, however, that data were not available to identify the portion of faculty effort attributable to sponsored research activities. Student-faculty ratios and credit hours per faculty are based, therefore, on all faculty as though their total efforts were devoted to the instructional activity of the institution. A large percentage of the faculty is in the full professor rank. This seems justified in view of the institution's heavy emphasis on graduate study.

(d) Faculty Compensation

Current and planned faculty salaries do not seem unreasonable when considered on a national basis. This is particularly true in view of the institution's urban location with its attendant high cost of living. Furthermore, the salaries paid at this institution are less than those paid by other institutions with which in its opinion it competes for students and faculty.

(e) Other Factors

The geographical location of the institution places it in a relatively high cost market. As a result, its dollars do not buy as much as those of institutions in more favorable areas. One could, therefore, expect this institution's costs to be greater than those of comparable institutions, but this does not seem to be the case.

(f) Treatment of Gift and Grant Income

It should be indicated that the institution's current plight may not be quite so serious as its financial reports show. This statement is based upon the amount of its reported deficit by determining the amount of gifts it will recognize as income in a given fiscal year. Members of the institution's administrative group indicate that this treatment is used because certain gifts are of a non-recurring nature. This practice makes analysis of the institution's finances difficult. For purposes of this study, the amount of gift income recognized in 1966-67 has been projected to be the gift income availed of in 1970-71.

(no p.101)

Exhibit E-3

Institution C

Statistical and Financial Data

	1963-64	1966-67	1970-71
Credit hours	276,174	301,255	315,910
Student-faculty ratio	9.0:1	8.2:1	7.5:1
Credit hours per faculty member on duty	311	275	252
Average faculty salary			
Professor	$15,585	$17,987	$21,944
Associate professor	11,016	12,648	15,431
Assistant professor	8,469	9,609	11,723
Instructor	6,730	7,737	9,439
Net financial results of current operations by activity (in thousands of dollars)			
Instruction and departmental research	$ 4,525	$ 2,797	$ 3,848
Sponsored research	306	523	(528)
Sponsored educational programs	(2,197)	(2,399)	(3,036)
Extension and public service	—	—	(21)
Auxiliary activities	(900)	(882)	(1,268)
Other organized activities	(331)	(37)	(54)
Medical center	(388)	(479)	(1,330)
Intercollegiate athletics	NA*	NA*	NA*
Net surplus (deficit)	$ 1,015	$ (477)	$(2,389)
Cost of instruction per full-time equivalent student (non-medical)	$ 1,697	$ 2,654	$ 3,337
Cost of instruction per credit hour (non-medical)	$ 59	$ 81	$ 102

*NA = Not available.

INSTITUTION C

Institution C is a major coeducational university. It has no religious affiliation. Practically all programs are offered at the main campus site, although certain programs are offered at other locations.

The academic program provides instruction at virtually all levels. Approximately 30% of the full-time equivalent enrollment is at the graduate level.

Practically all students carry a full-time academic load. Organized research comprised 22% of the 1963-64 and 1966-67 expenditures, exclusive of student aid and sponsored educational programs.

AVAILABILITY OF DATA

No data were available with regard to faculty effort and non-academic personnel assignments. The data furnished with regard to enrollments and space assigned appear to be questionable. Financial projections were supplied; however, there was no opportunity to determine the method by which they were conceived.

OBSERVATIONS AND CONCLUSIONS

The institution's planned operations for 1970-71 indicate that it has need for additional support. However, an evaluation of these plans seems to indicate that the need is based upon maintaining programs at relatively high cost levels and making certain changes which will further increase these costs. There does not seem to be a serious effort on the part of the institution to reduce costs.

Specific considerations indicating the nature of the institution's plans and our evaluation of them follow.

(a) Quality of Programs

Institution C has as its objective the operation of academic programs which would generally be recognized as among the best in the country. It competes for the very best students and faculty. The administrative group believes that limited enrollment is a factor in determining quality. Accordingly, the institution plans limited enrollment increases, with the major portion of such increases being in graduate areas. Limited enrollments in periods of planned cost increases tend to increase the institution's unit costs. The continuation of small group instruction during periods of increasing cost is also reflected in the institution's unit costs and need for financial resources.

(b) Planned Income

With the institution's reputation, it is not likely that it will experience any difficulty in achieving its enrollment objectives. Projected tuition charges are similar to those planned by other institutions which are considered comparable in all respects. Because of its deep involvement in government-sponsored research, any serious decrease in government spending for this purpose would have a deleterious effect on the institution's financial results.

(c) Number of Faculty

Data furnished by the institution indicate that it will add faculty members at a rate which will reduce the student-faculty ratio between now and 1970. The ratio already is comparatively low. According to the administrative group, only about one-tenth of the faculty effort expended on research is compensated for by financial support from other than general funds of the institution.

(d) Faculty Salaries

In terms of the AAUP[*]grading scale, the institution is in a strong position with regard to faculty salaries. Plans indicate that this situation will not change.

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[*] American Association of University Professors

Exhibit E-4

INSTITUTION D

Statistical and Financial Data

	1963-64	1966-67	1970-71
Credit hours	185,860	199,849	243,672
Student-faculty ratio	11.8:1	11.7:1	10.8:1
Credit hours per faculty member on duty	305	258	282
Average faculty salary			
Professor	$11,387	$14,107	$20,150
Associate professor	9,585	10,916	14,430
Assistant professor	7,942	8,750	11,440
Instructor	6,324	7,170	8,970
Net financial results of current operations by activity (in thousands of dollars)			
Instruction and departmental research	$ 1,434	$ 612	$ 700
Sponsored research	(16)	(105)	(275)
Extension and public service	(56)	(63)	(10)
Auxiliary activities	(606)	(995)	(1,500)
Intercollegiate athletics	(54)	(52)	(30)
Net surplus (deficit)	$ 702	$ (603)	$(1,115)
Cost of instruction per full-time equivalent student	$ 965	$ 1,461	$ 1,854
Cost of instruction per credit hour	$ 37	$ 57	$ 71

INSTITUTION D

Institution D is a private, urban, church-related, coeducational institution. Evening and summer sessions are provided.

AVAILABILITY OF DATA

The institution provided substantial data regarding student enrollment and faculty assignments; but this data required us to consolidate and convert to a full-time equivalent basis. Information on space assignments, non-academic personnel and student employment had to be assembled by the institution for this study as it was not normally available.

A ten-year forecast which had been prepared in 1965 covering the fiscal years 1963-72 was made available to us. The actual expenditures and income in 1966-67 were substantially higher than those projected in the forecast. Further, our discussions with the institution's administration revealed that its planned development would result in costs substantially above those projected. We, therefore, modified the projection to reflect such costs in order to present a more realistic picture in this study.

OBSERVATIONS AND CONCLUSIONS

Institution D is experiencing rapidly increasing costs of operation which result from the institution's policy of upgrading faculty, staff and facilities. A major step in the implementation of this policy has been a planning and budgeting approach predicated on program needs rather than budget limitations.

The institution was able to meet these rising costs from current revenue up to 1965-66 mainly through tuition increases and additional gifts and grants. Although additional tuition increases are projected as well as a modest increase in gift and grant income, these resources will be increasingly less than required to maintain a balanced financial operation mainly as a result of its policies on auxiliary activity operations.

(a) Auxiliary Activities

While the institution's financial records show a break even or slight loss picture on auxiliary activity operations, the cost of such operations did not include a reasonable allocation of administrative, plant operation and maintenance or dormitory supervision costs. The auxiliary activity space is approximately 40% of the total space. Our allocation of indirect costs to the auxiliary activities, therefore, shows what we believe to be a more realistic picture and reveals that this is the main cause of the institution's financial difficulties.

(b) Administration

The university lacks a master plan that would correlate program and facilities projects to cost and resource projections. Communication between the academic and financial administrations is not effective.

(c) Faculty Employment

There is a stated goal to obtain a higher rating on the AAUP scale for all ranked faculty. The institution's projected costs have been increased to reflect the estimated cost of this objective.

(d) Sources of Income

The institution has increased its tuition rates regularly. These increases have not, in the institution's opinion, adversely affected either the quantity or the quality of the students. Fund-raising efforts have also been increased for the past two years, and both annual and capital gift campaigns have been successful. The projected income from tuition and gifts and grants appears to be attainable.

(e) Treatment of Income

Several items of unrestricted income which should have been recorded as current income or as reductions of current expense have been treated as fund changes. For example, in 1965-66 more than $200,000 of such items was assigned directly to funds functioning as endowment. This treatment serves to understate the total unrestricted financial resources which are available to meet operating costs.

(f) Physical Plant

The full impact of debt service and maintenance costs on new facilities will not be reflected in expenditures until after 1971. It appears that the institution will have to reassess the projection of its goals and resources before undertaking additional construction.

(no p. 107)

Exhibit E-5

INSTITUTION E

Statistical and Financial Data

	1963-64	1966-67	1970-71
Credit hours	42,810	63,720	68,220
Student-faculty ratio	10.0:1	11.9:1	12.2:1
Credit hours per faculty member on duty	302	427	440
Average faculty salary			
Professor	$12,609	$14,186	$20,500
Associate professor	9,200	9,962	14,500
Assistant professor	7,400	8,335	12,500
Instructor	6,205	7,121	10,000
Net financial results of current operations by activity (in thousands of dollars)			
Instruction and departmental research	$ 552	$ 2,637	NA*
Sponsored research	4	(68)	NA*
Auxiliary activities	(323)	(1,190)	NA*
Intercollegiate athletics	(125)	(160)	NA*
Net surplus (deficit)	$ 108	$ 1,219	NA*
Cost of instruction per full-time equivalent student	$ 1,723	$ 1,928	NA*
Cost of instruction per credit hour	$ 59	$ 54	NA*

*NA = Not available.

INSTITUTION E

Institution E is primarily an undergraduate, male liberal arts institution located in a rural environment. There is no religious affiliation. The B.A. degree and a limited number of M.A. degrees are offered. No evening classes are conducted and the five-week summer session consists almost entirely of graduate courses. This session is intended to increase utilization of physical plant and does not supplement the regular academic program. A few women are enrolled in the M.A. program.

Virtually all students are considered as full-time. They reside in dormitories or, after the freshman year, many live in fraternity houses. About 75% of the students are residents of the Northeastern United States, and approximately 45% are from New York State.

AVAILABILITY OF DATA

The data available at Institution E were sufficient for calculation of full-time equivalent students and faculty. Space assignment to the various activities was also easy to determine. Information not readily available included non-academic personnel data, student employment summaries, and research salaries and wages. A long-range plan was prepared in 1963 which is reviewed annually. Projections in the academic area have been realistic; however, not all items of income and expense were included in the plan. It was, therefore, not possible to complete the development of indirect cost allocations or to determine the surplus or deficit position in 1970-71.

The institution changed from a credit-hour basis to a course basis in 1964-65. The credit-hour production and cost per credit hour for 1964-65 were based on a full-time load of 15 credit hours. The 1966-67 information is based on courses which convert to an 18 credit-hour full-time equivalency.

OBSERVATIONS AND CONCLUSIONS

Institution E cannot demonstrate unusual financial need at this time. The optimum enrollment for existing facilities has not been achieved, and the student-faculty ratio is presently scheduled to increase slightly; the current fund reported an excess of income over expenditures. Fund-raising efforts have been very successful for annual giving as well as for plant and endowments.

(a) Tuition

The institution has noted no significant impact from tuition and fee increases, and relatively small increases are scheduled biennially. Applications continue at a high rate. Increased charges have, however, placed greater demands on student assistance resources.

(b) Other Factors

There are several areas of concern in spite of the relatively sound financial position of the institution. Faculty salaries as measured by the AAUP scale are considerably lower than the stated objectives of the administration. Sponsored research, while not a substantial budget item, is incurring increased costs. Most auxiliary activities and the athletic program have been and are projected to be increasingly less self-supporting.

(c) Physical Plant

The institution has a comprehensive campus plan. Projects are generally undertaken as funds become available. There is no projected increase in the current level of plant fund indebtedness.

(d) Administration

An effective balance seems to exist between academic program needs and the management of resources. In general, the institution has not yet found it necessary to curtail program interests because of financial limitations. It is, however, very aware of the financial framework within which it must operate.

Exhibit E-6

INSTITUTION F

Statistical and Financial Data

	1963-64	1966-67	1970-71
Credit hours	46,354	51,274	61,677
Student-faculty ratio	14.5:1	12.3:1	13:1
Credit hours per faculty member on duty	393	341	390
Average faculty salary			
Professor	$11,036	$13,712	$17,894
Associate professor	8,475	10,861	14,173
Assistant professor	7,345	8,948	11,677
Instructor	6,492	7,374	9,623
Net financial results of current operations by activity (in thousands of dollars)			
Instruction and departmental research	$ 443	$ 544	$ (629)
Sponsored research	(34)	(92)	(98)
Extension and public service	(57)	(74)	(111)
Auxiliary activities	(187)	(331)	(555)
Intercollegiate athletics	(131)	(147)	(158)
Net surplus (deficit)	$ 34	$ (100)	$(1,551)
Cost of instruction per full-time equivalent student	$ 1,296	$ 1,982	$ 3,109
Cost of instruction per credit hour	$ 48	$ 61	$ 106

INSTITUTION F

Institution F is an urban, nonsectarian, male institution. Its student body is primarily residential, being housed in a residential complex and a series of fraternity houses.

Its regular day program has two divisions both of which are undergraduate. It also operates evening and summer classes both of which include undergraduate and graduate programs. In addition it operates a series of special institutes on a year-round basis as extension-type, non-degree programs.

AVAILABILITY OF DATA

The data required for analysis of cost and causes of financial need were available except that it was not possible to separate the costs of instruction or faculty time for regular day sessions from evening or extension programs. For this reason, it has been necessary to treat the instructional activities as a unit and relate credit hours and student-faculty ratios to the entire instructional unit.

OBSERVATIONS AND CONCLUSIONS

While any real financial need is not indicated by analyses of financial data up to the present time, it is demonstrated by the institution's projected financial data. Such need is predicated on the factors that follow and should be interpreted accordingly.

(a) Faculty Teaching Load

The credit-hour production per faculty member dropped from 393 in 1963-64 to 341 in 1966-67. During this same period, the average faculty salary was increased from $9,410 to $10,961 in 1966-67.

(b) Academic Program

The projection for 1970-71, which is based on a planned shift to include graduate education, shows an increase in both student-faculty ratio and credit-hour production. Such increases are not planned by the institution and it recognizes that its projected costs will probably have to increase. Further library expenditures and organized research expenditures are probably also underestimated.

(c) Faculty Support Facilities

The faculty support facilities have been increasingly squeezed because of resource limitations which, more than salary levels, have caused the loss of faculty the institution wishes to retain. The projection does not contemplate any improvement in this situation but does contemplate continuing to increase faculty salaries at the rate of 7% per annum. At the present time, meeting these needs adequately could add from $250,000 to $500,000 to the cost of operation.

(d) Fund Raising

The institution has now, for the first time in its history, embarked on a capital gifts campaign. The projected income is based on achieving this objective. The projection also contemplates sustaining annual current-support giving at its present level. While a fund-raising organization has been established and professional counsel has been retained, the institution's past fund-raising history does not indicate an ability to reach these goals.

(e) Physical Plant

The projection includes the operating costs of a new science wing, a new maintenance building and additional dormitory space which are expected to be completed by 1970-71.

(f) Administration

The institution plans to develop a computerized information system within the projection period which is reflected in the increased administrative expense.

(g) Non-academic Employment

Although non-academic employment increased by 83 between 1963-64 and 1966-67, only 12 were added in the instructional area. The major increase was in the plant operation and maintenance to handle the additional space and offset a reduction in the work week from 33 to 30 hours.

(h) Other Projections

While the institution has based its projection on moving into graduate education it has also projected the cost impact of remaining a basically undergraduate institution and strengthening these programs as well as the cost of a status quo operation. The deficit forecast is reduced from $1.551 to $1.014 million in the former case and to only $42,000 in the latter case. The institution feels, however, that the status quo operation is not feasible in that it will not be able to attract students or retain faculty under these circumstances.

(no p. 113)

Exhibit E-7

INSTITUTION G

Statistical and Financial Data

	1963-64	1966-67	1970-71
Credit hours	14,120	17,867	18,822
Student-faculty ratio	10.2:1	12.4:1	11.6:1
Credit hours per faculty member on duty	314	357	355
Average faculty salary			
Professor	$ 9,239	$10,828	$14,292
Associate professor	7,456	9,157	12,087
Assistant professor	6,990	8,240	10,877
Instructor	6,250	7,242	9,560
Net financial results of current operations by activity (in thousands of dollars)			
Instruction and departmental research	$ 108	$ 520	$ 280
Sponsored research	3	–	1
Auxiliary activities	(89)	(138)	(176)
Intercollegiate athletics	NA[*]	NA[*]	NA[*]
Transfer for plant additions	–	(138)	–
Net surplus (deficit)	$ 22	$ 244	$ 105
Cost of instruction per full-time equivalent student	$ 2,089	$ 2,110	$ 2,697
Cost of instruction per credit hour	$ 67	$ 72	$ 87

[*] NA = Not available.

INSTITUTION G

Institution G is a small, undergraduate liberal arts college situated in a rural setting. As the nearest city is over 20 miles away, the college is a residential institution. Less than 10% of the students live off campus and these are primarily inhabitants of the surrounding area.

The undergraduate program offers bachelor's degrees in four areas. Its program stresses intimate contact between student and teacher combined with considerable independent work. There is no graduate program or summer school. Evening courses are given, but mainly for the maintenance of community relations. There is no extension program. Organized research, represented by only two or three small projects at any one time, is virtually nil.

AVAILABILITY OF DATA

The availability of data was generally excellent. Records of past information, both detailed and in summary, were on hand or could be readily developed from existing data. An up-to-date long-range financial plan, through 1974-75, had been reviewed and adopted by the Board within the past six months.

OBSERVATIONS AND CONCLUSIONS

While Institution G has had financial difficulties in the past, it has brought them under control and by maintaining the existing level of activities the institution should be able to continue to operate. In fact, the institution's long-range plan, which on balance appears sound, projects for 1970-71 an excess of income over expenditures that is sizeable in comparison with recent years.

(a) Physical Plant

The plant needs are evidently extensive and are planned to be provided for by a development campaign which is ambitious in light of prior experience.

(b) Tuition

The primary source of operating income continues to be tuition and other student charges. While the college recognizes that a high tuition rate could adversely affect the quality and quantity of applicants, it assumes the same situation would be experienced by other similar institutions and that the impact would be offset by substantial and expanding student aid programs financed by outside organizations.

(c) Faculty Salaries and Teaching Load

The institution, while small in enrollment and not rich in resources, feels that the uniqueness of its program places it in competition with better known and wealthier institutions for faculty and students. It feels that competition for faculty will force it to raise its salaries, which are presently below the standard of its competition, at a more rapid rate than is the average projected elsewhere. Its projection, therefore, is based on salary increases of 9% per annum between 1966-67 and 1970-71. The institution also recognizes that pressures will result from its effort to reduce further the faculty teaching load. This it feels it cannot afford to do.

(d) Academic Program

Another area of resource drain is one division which because of low enrollment is quite costly. The division is maintained despite the fact the institution's main area of excellence lies elsewhere. The administration feels that such a program is necessary to enhance the education of all students. It, therefore, plans not only to maintain this program but in fact to expand it.

(e) Treatment of Income

With regard to the financial data shown on the supporting schedule, it should be pointed out that gift and grant income includes $95,700 in 1963-64 and $137,800 in 1966-67 designated for development of the institution. In 1963-64 an amount in excess of the $95,700 so earmarked was expanded through plant maintenance and operations for alterations and improvement to plant. In 1966-67 the funds so earmarked have been treated as a transfer for plant additions. Further, the 1966-67 gift and grant income includes $192,300 of released restricted Ford Foundation Salary Improvement Grant funds which have remained in the endowment fund but are used to offset a portion of the institution's prior borrowings from the endowment to support current operating expenditures.

(no p.117)

Exhibit E-8

INSTITUTION H

Statistical and Financial Data

	1963-64	1966-67	1970-71
Credit hours	58,333	102,280	116,912
Student-faculty ratio	14.5:1	15.7:1	16.6:1
Credit hours per faculty member	379	459	477
Average faculty salary			
Professor	$ 9,000	$10,776	$12,931
Associate professor	7,960	9,880	11,856
Assistant professor	7,066	8,445	10,134
Instructor	6,150	7,031	8,437
Net financial results of current operations by activity (in thousands of dollars)			
Instruction and departmental research	$ 621	$ 730	$ 909
Sponsored research	–	9	(87)
Extension and public service	NA*	NA*	NA*
Auxiliary activities	(586)	(899)	(1,021)
Intercollegiate athletics	NA*	NA*	NA*
Net surplus (deficit)	$ 35	$ (160)	$ (199)
Cost of instruction per full-time *equivalent student*	$ 961	$ 1,517	$ 1,896
Cost of instruction per credit hour	$ 36	$ 52	$ 66

*NA = Not available.

INSTITUTION H

Institution H is nonsectarian, coeducational and located in a rural setting. The undergraduate student body is now almost entirely residential.

The institution conducts a limited extension program and summer session. It also offers graduate studies leading to M.S. degrees in several fields.

The undergraduate program accounts for over 95% of the total full-time equivalent students. The recent construction of additional academic and housing facilities has permitted the institution to increase enrollment considerably and to attract a higher percentage of applicants from out of state.

AVAILABILITY OF DATA

The financial records of the institution include the costs of extension services with the costs of instruction. To match related data to such costs, the statistical data relating to extension programs have been included with degree-credit programs where appropriate. Full-time equivalent faculty statistics applicable to graduate, summer, and extension programs were estimated by the institution on a percentage basis.

Full-time equivalent enrollment has been calculated on the basis of 32 credit hours for undergraduate and 24 credit hours for graduate students.

OBSERVATIONS AND CONCLUSIONS

The institution's need for financial aid may be evaluated in light of the information that follows.

(a) Enrollment

While enrollment has been increasing, the percentage of applicants accepted has been reduced. The percentage of accepted applicants actually enrolling, however, has remained stable. The quality of the enrollees as indicated by standard test scores has risen. Achieving the increased enrollment projected for 1970-71 will require additional dormitory space. To solve this problem, the institution is considering adopting one of the following solutions:

1. Permitting more students to live off campus.
2. Adding another bed in each room.
3. Borrowing additional funds to construct new dormitories.

(b) Debt Service

This institution's bonded indebtedness is very large. Payments against the indebtedness are secured by mortgages on the facilities and further covered by pledges of $430 of the annual tuition and general fees paid per student.

(c) Tuition

The present enrollee tuition rate is covered by a guaranteed tuition plan whereby the tuition rates in effect in a student's freshman year will prevail for each of his four years. The institution has assumed that the discontinuance of this plan in 1968-69 will have no effect on the number or quality of enrollees.

(d) Faculty Salaries

The institution has projected a 20% increase in faculty salaries by 1970-71. This is based on 7% increases in 1967-68 and 1968-69 and on a 3% increase in the ensuing year. We believe this projection is understated because the institution has recently experienced the loss of several key faculty to the State University for higher salaries. Further, adequate housing at costs that can be met by the faculty is not available in the surrounding communities.

(e) Physical Plant

The 1966-67 actual cost of plant operation and maintenance exceeded the budgeted amounts by $330,000. Whether this will continue and thereby increase the 1970-71 projected cost of plant maintenance and operation could not be evaluated.

(no p121)

Exhibit E-9

INSTITUTION I

Statistical and Financial Data

	1963-64	1966-67	1970-71
Credit hours	25,343	30,520	42,000
Student-faculty ratio	14:1	14:1	18:1
Credit hours per faculty member on duty	445	412	525
Average faculty salary			
Professor	$ 9,500	$13,929	$16,904
Associate professor	7,950	10,781	13,085
Assistant professor	7,375	8,191	9,940
Instructor	6,786	7,177	8,710
Net financial results of current operations by activity (in thousands of dollars)			
Instruction and departmental research	NA*	$ 522	$ 1,029
Auxiliary activities	NA*	(386)	(317)
Religious community	NA*	(48)	(60)
Net surplus (deficit)	$ (86)	$ 88	$ 652
Cost of instruction per full-time equivalent student	NA*	$ 1,324	$ 1,480
Cost of instruction per credit hour	NA*	$ 44	$ 49

*NA = Not available.

INSTITUTION I

Institution I is located within commuting distance of a large urban center and the college is, therefore, faced with the problem of the high cost of goods and services in that area.

The institution, which is operated by a religious order is an undergraduate womens liberal arts school. There are no evening or extension courses offered. The institution does not participate in sponsored research programs.

This institution is principally residential with 80% of its student body living on campus. While there is a wide geographical distribution represented in the student body about 50% of its students are residents of New York State.

AVAILABILITY OF DATA

Data for 1963-64 were generally not available due principally to major changes in administrative and clerical personnel since that time. During 1966-67 a new business and financial office was established, and plans are now being made for maintenance of proper accounting records and coordination of statistical data with that of the registrar's and academic dean's offices. We were, therefore, unable to develop the financial results of the various activities, the cost per full-time equivalent student or the cost per credit hour for the 1963-64 period.

OBSERVATIONS AND CONCLUSIONS

The projected excess of income over expense for 1970-71 is based on continuing present programs and methods of operation and should be considered in light of the information that follows.

(a) Enrollment

Enrollment is projected to increase about 40% by 1970-71. To achieve this increase, which is timed to coincide with the availability of additional dormitory facilities, the 1970-71 freshman class would nearly double. Approximately 100 transfer students would have to be enrolled as compared to the present average of about 30. The feasibility of absorbing such a large number of new students within the existing facilities and academic programs is questionable. A more realistic estimate would be about 90% of the anticipated enrollment for 1970-71, with all of the reduction reflected in the freshman class. This would mean that the freshman class would increase in size by about 40% instead of 100%. This would reduce tuition and fee income by $252,000 and other net income by about $83,000.

(b) Faculty Employment

A total of 11 new faculty appointments, all full time, was made in 1967-68. Total faculty is expected to reach 100 by 1970-71, and the student-faculty ratio is projected to change from 14:1 to 18:1. The percentage of faculty on full-time appointment is projected to drop from the present level of 90% to 80%. This does not appear reasonable. If the percentage of faculty on full-time appointment were maintained at 90%, it would result in a 15.5:1 student-faculty ratio and 467 credit hours per full-time equivalent faculty which seems more reasonable. This change would increase faculty salary costs by about $110,000 plus fringe benefit costs related to salary. If at the same time the more reasonable enrollment projections mentioned above were applied, the student-faculty ratio would remain at its present level of 14:1 and credit hours per full-time equivalent faculty reduced to 420 which seems still more realistic.

(c) Physical Plant

No provision has been made for major alterations and improvements or for major rehabilitation of older structures between 1967-68 and 1970-71.

(d) Impact on Projection

Should the projected enrollment and faculty employment be revised in accordance with the above comments, the projected surplus of $652,000 would be reduced to $206,000. In this regard, however, it should be noted that at the present time the cost of 24 faculty members is covered by contributed service income. The availability of such faculty is not within the control of the administration. Should such contributed service support decline additional lay faculty would have to be employed which would further reduce the projected surplus.

Exhibit E-10

INSTITUTION J

Statistical and Financial Data

	1963-64	1966-67	1970-71
Credit hours	24,012	38,922	47,655
Student-faculty ratio	NA*	17:1	17:1
Credit hours per faculty member on duty	NA*	564	550
Average faculty salary			
Professor	$10,001	$11,580	$14,758
Associate professor	8,554	10,011	12,747
Assistant professor	7,586	8,464	10,787
Instructor	6,522	7,248	9,236
Net financial results of current operations by activity (in thousands of dollars)			
Instruction and departmental research	$ 284	$ 203	$ 224
Auxiliary activities	(248)	(85)	(112)
Religious community	(15)	(18)	(13)
Net surplus (deficit)	$ 21	$ 100	$ 99
Cost of instruction per full-time equivalent student	$ 978	$ 1,346	$ 1,632
Cost of instruction per credit hour . .	$ 32	$ 42	$ 51

*NA = Not available.

INSTITUTION J

Institution J is a relatively new college located in a suburb of a prominent industrial city. Operated by a religious order, it is an undergraduate mens liberal arts school. No evening or extension courses are offered, and the institution has no sponsored research programs.

The enrollment of this institution is about 35% residential and 65% commuter. The student body is drawn primarily from New York State, currently about 93%, with about 57% from the local county. However 14 states and four foreign countries are represented in the current enrollment. The local county enrollment has changed from 93% to 57% of total enrollment during the last ten years.

AVAILABILITY OF DATA

Basic financial data were available. Important statistical data regarding numbers of employees, faculty, students, space, and the like were not readily available and such data were not correlated with financial data. Further, statistical data, particularly concerning students and faculty were provided by different offices and were inconsistent, making the problem of developing data for this study difficult. Data on full-time equivalent faculty necessary for the computation of student-faculty ratios were not available.

OBSERVATIONS AND CONCLUSIONS

On the basis of its projection, it would appear that this institution can be expected to finance current activities without undue difficulty. However, the projection does not include the cost of financing all of the physical facilities needed by 1970-71 if such costs were to be covered by borrowing. It appears that the cost of such debt amortization could not be met from current operations. It is estimated that $3.6 million will be needed for such physical facilities by 1970-71.

(a) Space Utilization

The increases in expenditures and income between the years shown appear reasonably in line with average cost increases and increased enrollment. The significant increase over the years in space assigned to instruction, including library, however, may well have an effect on the 1970-71 projection, which was not considered by the institution. By 1970-71, over 50% of the instructional space will be for science students, who comprise less than 20% of the enrollment. No formal consideration has been given to this situation nor to its possible impact on the student-faculty ratio in the science programs as compared to the other programs.

(b) Enrollment

The 1970-71 projection does not reflect the institution's anticipation of a drop of about 150 in commuting students which must be offset by a corresponding increase in resident students if the enrollment projected is to be realized. Since present dormitory facilities are not adequate for this increase, additional facilities for 150 students would be required at the rate of 50 beds each year for the next three years. By 1970-71, the additional annual operating expenses and debt amortization requirements for these facilities would be about $220,000. To cover such increased costs and provide funds for the required debt retirement reserve would require an increase in room and board charges of $150 per year, which would increase such fees to $1,125.

(c) Additional Plant Requirements

The increase in residential enrollment would, in our opinion, add another cost factor not included in the 1970-71 projections. Existing athletic and recreation facilities for the present resident population are deemed inadequate by the institution; a one-third increase in resident population would appear to require additional facilities, the cost of which is not included in the $3.6 million projected as the amount needed for dormitories.

(d) Financing New Construction

The institution hopes to finance the cost of the increase in academic and library space primarily from the institution's share of a local joint college fund drive and Federal grants. Should the institution's projection of these funds be realized, there would still remain over $600,000 to be provided by borrowing. The 1970-71 projection does not include any provision for debt service on such borrowings.

(e) Faculty Salaries

Although the increases in staff included in the 1970-71 projection appear reasonable, annual salary increases of 6% for faculty are less than the average being projected by other institutions. In view of the local competition for faculty, this could affect the institution's ability to attract and retain faculty of the quality it considers desirable.

(f) Cooperation with Other Institutions

The institution has been engaged for several years in a cooperative student exchange program with a neighboring institution. Discussions are currently in progress to expand this program, as well as to include other area institutions in an undergraduate consortium. Such activities could result in more efficient faculty and space utilization. The cost impact of such a move could not, however, be evaluated.

IBC (no p. 129)

Exhibit E-11

INSTITUTION K

Statistical and Financial Data

	1963-64	1966-67	1970-71
Credit hours	73,330	90,910	120,861
Student-faculty ratio	19:1	19:1	19:1
Credit hours per faculty member on duty	596	558	584
Average faculty salary			
Professor	$ 8,900	$12,500	$12,500
Associate professor	7,750	10,500	10,500
Assistant professor	6,350	8,000	8,500
Instructor	5,500	7,000	7,500
Net financial results of current operations by activity (in thousands of dollars)			
Instruction and departmental research	$ 672	$ 482	NA*
Extension and public service	(14)	2	NA*
Auxiliary activities	(150)	(247)	NA*
Intercollegiate athletics	(78)	(117)	NA*
Transfers for additions to plant	(245)	(238)	(200)
Net surplus (deficit)	$ 185	$ (118)	$ 23
Cost of instruction per full-time equivalent student	$ 617	$ 844	NA*
Cost of instruction per credit hour	$ 20	$ 29	NA*

*NA = Not available.

INSTITUTION K

Institution K, founded and operated by a religious order, is located in a residential suburb. It has no dormitory facilities.

The institution, 85% of whose enrollment is from New York State, offers day courses of instruction leading to undergraduate degrees. Evening and summer sessions are also conducted. The institution plans to expand its evening graduate program. Extension and public service programs are offered primarily in adult education. There is no sponsored research conducted at the institution.

AVAILABILITY OF DATA

The financial and statistical data required to analyze the financial need of the institution were available for 1963-64 and 1966-67 except for statistics on full-time equivalent non-academic employment.

The financial projection for 1970-71 was prepared without benefit of study and analysis of programs. The general bases, assumptions and remarks relating to the 1970-71 financial projection are as follows:

1. The 1966-67 ratio of full-time equivalent students to total tuition and fees plus a projected percentage increase in tuition and fees was the basis for calculating income from students.
2. The institution assumed that the percentage of operating expenses to operating revenue exclusive of debt service for 1970-71 would be the same as 1966-67.
3. The debt service will be increased by 1970-71 due to additional borrowings for construction and renovation.
4. Unrestricted and restricted gifts were not included in the 1970-71 projected income.

The institution's statistical projections pertaining to enrollment and faculty were based on plans for additional classroom facilities being available and on the expansion of the evening graduate programs. Additional classroom space should be available through the conversion of a building recently purchased from an affiliated organization and through new construction.

The financial data for 1966-67 were unaudited and taken from the records of the institution. The audited statements recently made available show a reduction of $26,000 in total expense for the period which is not reflected in our calculations.

Full-time equivalent enrollment, as calculated by the institution, is based on 32 credit hours per full-time student at the undergraduate level, 24 credit hours for M.B.A. students and 15 credit hours for M.S. students.

OBSERVATIONS AND CONCLUSIONS

Financial need is not demonstrated by the institution's current financial and statistical data. The institution, however, has indicated a concern over the source of funds necessary for future plant construction and for faculty salary improvement.

(a) Physical Plant

While not reflected in the financial projection for 1970-71, the institution is planning to construct dormitory facilities. It has been acquiring properties adjacent to the campus in the belief that such facilities are required to house properly the out-of-town students who presently reside in local housing in the area. It feels the decline in the quality of such housing might adversely affect enrollment.

(b) Faculty Employment and Salaries

Members of the religious order comprise 22% of the total full-time equivalent faculty, and 30% of the professor and associate professor ranks. By 1970-71 the institution projects this percentage will decline to 19% of the total and 24% of the professor and associate professor ranks. The institution has significantly raised faculty salaries since 1963-64 in order to reduce turnover. The projection for 1970-71, however, makes no provision for further salary increases in the upper ranks and only minimal increases in the lower ranks.

If the projection were to include the cost of the 7% average annual salary increases projected by other institutions, the additional cost for the projected faculty would be approximately $400,000 plus the increased cost of fringe benefits which are related to salaries.

(c) Non-academic Employment

While data on full-time equivalent non-academic employment were not available, the total number of non-student employees in these areas rose from 76 in 1963-64 to 127 in 1966-67. This increase was partially offset by a decrease in student employment from 93 in 1963-64 to 64 in 1966-67.

(d) Enrollment

While the percentage of acceptances to applications for admission has declined, the percentage of accepted applicants actually enrolling has been steadily increasing. With the exclusion of summer undergraduate students, the percentage of full-time equivalent graduate students to total full-time equivalent students has increased from 1.5% in 1963-64 to 11% in 1966-67. The institution projects a 120% increase in full-time equivalent graduate students by 1970-71.

GENERAL CONCLUSIONS

All institutions which participated in this study are desirous of improving the quality of their academic programs and are anticipating growing financial need which they project will reach about $10 million annually by 1970-71 after the application of all income from existing sources. We believe, however, that in most cases the extent of such need is still controllable by the institution. In almost all cases, however, we believe the institutions need better information as to their operation and the cost impact of decisions they will make in order to obtain such control. It is also noted that the smaller institutions seem better able to and are under greater pressure to limit their operations to the resources anticipated to be available to them.

All institutions are projecting an increase in enrollment and in most cases a significant increase in out-of-state enrollment. This correspondingly means increased requirements for residential facilities.

All but two of the church-related institutions are projecting the necessity of continuing to increase faculty salaries at an annual rate of 7% in order to maintain their competitive position and one of these is projecting such increases at 9% in order to become more competitive. Most institutions also expressed the view that to recruit and maintain faculty will require lower teaching loads.

All but one institution have projected increasing tuition rates at an average rate of $100 per year and further feel that these increases will require them to allocate a larger percentage of their resources to student aid. No institution, however, indicated that past tuition increases have adversely affected either the quantity or quality of enrollment.

Only one institution contemplates any major change in its academic program. This institution projects moving into graduate education.

Our study of each institution included separate analyses of each of its major academic divisions. These studies indicate significant differences in cost impact and indicate that further analysis of these differences by the institution might prove fruitful. For purposes of this study, we have treated all non-medical instructional activities as one program. On the premise that all tuition and unrestricted income are made available for the institution's instructional activities, we have allocated all such income to this activity. On this basis, in every case such income is more than ample to meet instructional direct and indirect costs. Conversely on our basis of indirect cost allocation, all other activities are deficit operations with the major area of loss being auxiliary enterprise operations. Other significant areas of loss are the sponsored research programs and intercollegiate athletics.

Exhibit E-12

DEFINITIONS OF TERMS USED IN REPORT

1. **Full-Time Equivalent Student** – As defined by the institution. Basis for each institution defined in Availability of Data section.
2. **Full-Time Equivalent Faculty** – All ranked and non-ranked instructional personnel including those on leave equated to the institution's definition of full-time teaching load.
3. **Credit Hours per Instructional Personnel on Duty** – Total non-medical credit hours produced at all levels for all sessions divided by non-medical full-time equivalent faculty excluding those on leave.
4. **Cost per Full-Time Equivalent Student** – Total direct and indirect cost allocations for all non-medical instructional programs divided by total non-medical full-time equivalent student body.
5. **Cost per Credit Hour** – Total direct and indirect cost allocations for all non-medical instructional programs divided by total credit hours produced.
6. **Net Financial Results of Current Year's Activity by Major Activity** – Total direct cost plus allocated indirect cost for such activity area less restricted endowment, gift and grant and sale of service income applicable thereto. All tuition income and other unrestricted income have been applied to instruction and general activity.
7. **Average Faculty Salary** – Excludes religious personnel in those institutions where contributed services of this nature exist.

Appendix F

SUMMARY OF STUDY OF PHYSICAL PLANT CONDITION OF ELEVEN PRIVATE INSTITUTIONS IN NEW YORK STATE*

A study of 11 institutions (seven colleges and four universities) was undertaken to determine the condition of their physical plants. The chief factors reviewed by means of interviews and on-site inspection were deferred maintenance, normal day-to-day maintenance and housekeeping. Findings are summarized below.

1. Deferred Maintenance (Long-Term Maintenance)

With one exception, the colleges and universities studied did not have an adequate deferred maintenance program. The reason given by all was lack of funds to carry on such a program.

The estimated cost of building modernization, utility renovation, correction of safety deficiencies and removal of violations at the schools where adequate data were available (seven colleges and three universities) as shown in Exhibits F-1 (page 137) and F-2 (page 138) amounts to $14.4 million. If the three medical centers shown in Exhibit F-3 (page 138) for which data are available were included the total would come to $15.1 million.

Information contained in Table F-1 gives an indication of the status of the preventive maintenance programs at the institutions studied.

Table F-1

PREVENTIVE MAINTENANCE PROGRAMS
AT ELEVEN SELECTED INSTITUTIONS AND THREE MEDICAL SCHOOLS
IN NEW YORK STATE

Institution	No Program	Small Program	Extensive Program
A			X
B	X		
C		X	
D	X		
E	X		
F	X		
G	X		
H	X		
I	X		
J	X		
K	X		
L	X		
M	X		
N			X

2. Normal Day-to-Day Maintenance

Most institutions are unable to keep up with the normal routines because of shortages of staff. As a consequence it is not uncommon to see such signs of deterioration as unrepaired plumbing, broken floor tiles and peeling paint. There is no meaningful way to place an exact cost estimate on these items. As shown in Table F-2 it appears that on the whole the universities are doing a better job of daily maintenance than are the colleges.

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*Memorandum prepared for the Committee by Taylor, Lieberfeld and Heldman, Inc.

Some general statements concerning present practice as compared with desirable standards can be made. The consultants projected the amounts of money required to maintain good standards of physical plant maintenance as compared with the amounts required to maintain present standards.

Table F-2

ADEQUACY OF NORMAL DAY-TO-DAY MAINTENANCE
AT SELECTED INSTITUTIONS IN NEW YORK STATE

Institution	Normal Maintenance Poor	Normal Maintenance Fair	Normal Maintenance Good
A			X
B		X	
C		X	
D			X
E	X		
F	X		
G	X		
H			X
I		X	
J		X	
K	X		

It will be seen from Exhibit F-4 (page 139) that the three universities for which figures were available should be spending almost $1.4 million additional per year at present, and almost $2.5 million additional by 1970-71, in order to achieve suitable standards of physical plant maintenance.

The Peat, Marwick, Mitchell & Co. projection of 5.5% of total budget for University A, which has the most acceptable program, was applied to University C to bring it up to acceptable standards. University D presently allocates 10.2% of its total budget to physical plant operation and maintenance. Its program needs improvement. Twelve percent of total budget is thought to be more realistic. It should be noted that University D is much smaller than the other two universities in enrollment, budget and sponsored research programs; therefore maintenance can be expected to represent a larger share of its budget.

In the case of the colleges shown in Exhibit F-5 (page 140) more than $2 million additional annually would be required to bring their present budgets up to acceptable standards. Projected to 1970-71, the additional amount rises to $2.13 million for the five colleges where available data permitted the calculation.

The norm used for the colleges is the Eastern average of 12 colleges: 18.7% as reported in **A Second Look at the Sixty College Study**, published by the National Association of College and University Business Officers Association. None of the original 12 participated in the present survey. It is felt to be significant that the college which has the most effective program among the seven in this study is spending at almost this level at the present time.

These figures exclude deferred maintenance. As mentioned previously, this amounts to more than $14.4 million for the seven colleges and three universities for which data were available.

3. Housekeeping

Although maintenance personnel at the institutions are able to empty waste baskets, clean toilet rooms, wash blackboards, and so forth, floors are waxed and windows washed too infrequently with few exceptions. As indicated in Table F-3 (below), two of the university housekeeping programs are rated as fair while one each is rated as poor and good. Of the seven colleges studied three each received poor and fair ratings and one received a rating of good.

The study reveals that inadequate budgets and the rather low quality of performance by some employees are the chief causes of poor housekeeping. In some institutions deep budget cuts during the past several years have resulted in reduction of frequency of many of the normal housekeeping services.

Table F-3

ADEQUACY OF HOUSEKEEPING AT
SELECTED INSTITUTIONS IN NEW YORK STATE

Institution	Housekeeping Rated Poor	Housekeeping Rated Fair	Housekeeping Rated Good
A			X
B	X		
C		X	
D		X	
E		X	
F	X		
G	X		
H			X
I		X	
J		X	
K	X		

4. Personnel

Top management of physical plant operations seems satisfactory at most of the institutions, but supervisory personnel and workers are less than adequate, except where craft union personnel are employed (in the four universities). In large measure, the low quality of personnel is due to the inability of the institutions to compete with the wage rates of private industry.

As shown in Table F-4, operating supervision is rated as fair in three universities and good in one. In the colleges studied, supervision is rated as poor in five, with one each receiving ratings of fair and good.

Table F-4

ADEQUACY OF SUPERVISION AT SELECTED INSTITUTIONS IN NEW YORK STATE

Institution	Supervision Poor	Supervision Fair	Supervision Good
A			X
B		X	
C		X	
D		X	
E	X		
F	X		
G	X		
H			X
I		X	
J	X		
K	X		

Exhibit F-1

ESTIMATED COSTS OF MAJOR ITEMS OF DEFERRED MAINTENANCE AT SELECTED INSTITUTIONS IN NEW YORK STATE: UNIVERSITIES

	Type of Project			
Institution	Utilities Replacement and Renovation	Building Modernization (Major Renovations)	Correction of Safety Deficiencies, Removal of Violations	Total
		(in current dollars)		
A	$140,000	$2,319,000	$ 749,000	$3,208,000
B	200,000	1,228,000	400,500	1,828,500
C	–	4,700,000	–	4,700,000
D	NA*	NA*	NA*	NA*
Total	$340,000	$8,247,000	$1,149,500	$9,736,500

*NA = Not available.

Exhibit F-2

ESTIMATED COSTS OF MAJOR ITEMS OF DEFERRED MAINTENANCE AT SELECTED INSTITUTIONS IN NEW YORK STATE: COLLEGES

	Type of Project			
Institution	Utilities Replacement and Renovation	Building Modernization (Major Renovations)	Correction of Safety Deficiencies, Removal of Violations	Total
		(in current dollars)		
E	NA[a]	NA[a]	NA[a]	$1,500,000
F	$ 36,000	$1,068,000[b]	–	1,104,000
G	100,000	500,000	$72,000	672,000
H	175,000	–	–	175,000
I	–	1,000,000	20,000	1,020,000
J	–	–	–	–
K	–	253,000	–	253,000
Total	$311,000	$2,821,000	$92,000	$4,724,000

a NA = Not available.
b = Not complete.

Exhibit F-3

ESTIMATED COSTS OF MAJOR ITEMS OF DEFERRED MAINTENANCE AT SELECTED INSTITUTIONS IN NEW YORK STATE: MEDICAL SCHOOLS

	Type of Project			
Institutions	Utilities Replacement and Renovation	Building Modernization (Major Renovations)	Correction of Safety Deficiencies, Removal of Violations	Total
		(in current dollars)		
L	$150,000	$150,000	–	$300,000
M	NA[*]	NA[*]	NA[*]	350,000
N	NA[*]	NA[*]	NA[*]	NA[*]
Total	$150,000	$150,000	–	$650,000

[*] NA = Not available.

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Exhibit F-4

PROJECTION OF MAINTENANCE EXPENDITURES COMPARING PRESENT AND DESIRED PRACTICE AT SELECTED INSTITUTIONS OF HIGHER EDUCATION IN NEW YORK STATE: UNIVERSITIES

	1966-67			1970-71		
	Maintenance Expenditures		Increase in Maintenance Budget	Maintenance Expenditures		Increase in Maintenance Budget
Institution	Actual	Desirable		PMM[b]	TLH[c]	
(1)	(2)	(3)	(4)[a]	(5)	(6)	(7)[a]
			(*in constant 1967 dollars*)			
A	$ 6,619,342	$ 6,619,342	–	$ 8,632,056	$ 8,635,166	$ 3,110
B	NA[d]	NA[d]	–	NA[d]	NA[d]	–
C	2,295,651	3,373,428	$1,077,777	3,021,169	4,657,591	1,636,422
D	1,785,219	2,098,790	313,571	2,332,661	3,169,718	837,057
Total	$10,700,212	$12,091,560	$1,391,348	$13,985,886	$16,462,475	$2,476,589[e]

a Column 4 = Column 3– Column 2; Column 7 = Column 6 – Column 5.
b PMM = Peat, Marwick, Mitchell & Co. projection.
c TLH = Taylor, Lieberfeld and Heldman, Inc. projection.
d NA = Not available.
e Total for three universities only.

Exhibit F-5

PROJECTION OF MAINTENANCE EXPENDITURES COMPARING PRESENT AND DESIRED PRACTICE AT SELECTED INSTITUTIONS OF HIGHER EDUCATION IN NEW YORK STATE: COLLEGES

	1966-67			1970-71		
	Maintenance Expenditures		Increase in Maintenance Budget	Maintenance Expenditures		Increase in Maintenance Budget
Institution	Actual	Desirable		PMM[b]	TLH[c]	
(1)	(2)	(3)	(4)[a]	(5)	(6)	(7)[a]
			(in constant 1967 dollars)			
E	$ 959,322	$1,276,388	$ 317,066	NA[d]	$1,218,705	–
F	465,574	991,552	525,978	$ 812,528	1,757,649	$ 945,121
G	140,323	383,997	279,674	146,573	467,236	320,663
H	1,785,282	1,875,467	90,185	NA[d]	2,682,281	–
I	218,220	556,084	337,864	400,403	793,271	392,868
J	246,440	422,315	175,875	396,864	591,111	194,247
K	335,685[e]	616,987	281,302	628,024	911,248	283,224
Total	$4,150,846	$6,122,790	$2,007,944	$2,384,392	$8,421,501	$2,136,123[f]

a Column 4 = Column 3 – Column 2; Column 7 = Column 6 – Column 5.
b PMM = Peat, Marwick, Mitchell & Co. projection based on present practice.
c TLH = Taylor, Lieberfeld and Heldman, Inc. projection.
d NA = Not available.
e Excludes $395,000 for new construction.
f Total for five colleges only.

Appendix G

EVOLUTION OF THE STATE UNIVERSITY OF NEW YORK AT BUFFALO

The University of Buffalo was founded as a private corporation in 1846. From its early beginnings as a medical school it enlarged its offerings so that by the late 1950's when its serious financial problems developed, it comprised 14 operating schools and divisions. In November 1960 discussions concerning the merger of the University into the State University system were initiated. After 20 months of negotiations and a change of charter—to provide for the formation of the University of Buffalo Foundation—the merger was agreed upon. On August 31, 1962 the University of Buffalo became the State University of New York at Buffalo.

OPERATING BUDGET

In keeping with expanded responsibilities, the operating budget for its first year as a public institution was about $4 million over the projections made two years earlier as a private institution—$14.5 million as compared with $10.5 million. The operating budget the next year increased to $18 million, and by 1966-67, to $37 million. These figures do not include expenditures for research, construction or funds obtained from non-state sources.

Several factors should be examined in considering the size of the operating budget. This year the University has rented over half a million square feet of off-campus space. This involves an allocation from the operating budget of $2.6 million for rental, $300,000 for bussing students and $800,000 for basic equipment. In addition the rapid increase in faculty resulted in a budget allocation of $1 million for new equipment. These expenditures would normally be considered capital items.

ENROLLMENT

In the past five years, the enrollment of the University has increased by about 39%. This increase includes a 47% growth in the full-time undergraduate population and an increase of 131% in the full-time graduate population. The part-time graduate enrollment has increased by 73% while the part-time undergraduate enrollment has decreased by about 5%.

RESEARCH

Parallel with the rising demand for student admissions has been a significant increase in research, largely supported by grants and contracts from the Federal and state government, foundations and industry. In 1962-63 the volume of research was $4.2 million. This volume reached $10.9 million in 1966-67, a 140% increase.

PROGRAM OFFERINGS

A number of significant changes have occurred. A School of Health Related Professions was established in 1965. It has increased the University's cooperative efforts with its five affiliated hospitals and has brought together many similar functions under one administration.

A Graduate School of Library Studies was established in 1966. This school plans to depart from traditional library concepts and center its activities around computer operations.

Two highly specialized baccalaureate programs and 11 associate degree programs have been discontinued. Sixty-six new degree programs primarily on the master's and doctoral level have been instituted. Exhibit G-1 (page 144) lists all programs discontinued and Exhibit G-2 (pages 145-147) lists new degrees offered.

Degrees granted have increased substantially at every level. Comparing the 1961-62 academic year with the 1966-67 academic year, an increase of 137% was noted in the total number of degrees awarded.

The number of doctoral degrees increased by 81%.
The number of master's degrees increased by 204%.
The number of bachelor's degrees increased by 141%.

QUALITY

While the University has concentrated on increasing facilities and enrollment, a number of substantial gains in quality appear to have been made.

One of the important concerns in any university is the size of its library and acquisition rates. In these areas, and particularly in fields of graduate study, Buffalo has made excellent progress. The number of volumes have more than doubled and serials subscriptions have more than quadrupled. In addition to strengthening existing library departments, new departments have been established—the Human Relations Area Files; Government Documents (United States, Canadian and New York State); a Microform Room to service the growing collections of microfilms, microcards, microprints; the University Archives; and a Systems Division to study and develop plans for automation. The Science and Engineering Library was formed from the Engineering, Chemistry and Physics Libraries. A separate Mathematics Library has also been established.

Recently the University Library was elected to membership in the American Research Library Association which includes approximately 60 major research libraries in the United States. Use of the library has also changed during this period. With the rise in the calibre of the student body, and the strengthening of the faculty in all fields, the textbook is no longer paramount. The library is now called upon to provide a greater variety of materials for directed study and individual research, and to supply more sophisticated collections for graduate students and faculty.

In 1962, 75% of the freshmen had high school averages above 80.6%; in 1967, 75% had averages above 87.0%. In 1961, 30.5% of the freshmen were in the top fifth of their class in high school. By Fall 1967 this figure had risen to 86.7%. In 1964, 50% of the freshmen had Regents Scholarship Examination scores above 184. By Fall 1967, 50% had scores above 211.

The evening division has become much more selective; the number accepted of those who apply has dropped from 68% to 51%.

While specific quality in programs is hard to measure, it might be pointed out that the civil, mechanical, electrical, chemical and industrial engineering programs have all received accreditation since the merger.

FACULTY

In harmony with the University's policy of developing its graduate work it has added substantially to its staff including persons of academic stature in significant numbers. It has been able to do this because it has the financial resources to pay salaries competitive with other major universities. In the latest AAUP salary report the University ranks 40th in the nation—with an average salary of $12,033 and average compensation of $14,038. In 1959 the average salary was $7,149.

STAFF

Since the merger the number of staff positions authorized in the budget has had a rate of growth about parallel to that of the faculty. In reality, however, due to the rigid control of the civil service system, the problem of justifying the need to the Budget Office and the low salary levels established, many positions remain unfilled for long periods of time.

COOPERATIVE EFFORTS

Through the use of cooperative techniques the University has attempted to develop new educational programs as well as to involve itself in community activity. In July 1966, State University of New York at Buffalo with support from Canisius, Rosary Hill and D'Youville colleges and from Erie County Technical Institute, and with the aid of a grant under the Higher Education Act of 1965, inaugurated the program of the Cooperative Urban Extension Center. The program of the Center has been designed to promote University-community dialogue on such local problems as poverty, integration, transportation, and planning. The five institutions that launched this community service have now been joined by Niagara Community College and Niagara University. This cooperative venture, one of the first of its kind, has already given definite and positive indications of a very promising future.

The University and the State University College at Buffalo jointly operate a program funded by the state legislature designed to provide an opportunity for students who may lack proper credentials or formal preparation to take courses. The program will qualify them for regular college work.

CAPITAL CONSTRUCTION

Because of the decision to relocate the campus, there has been only minimum progress in providing new physical facilities. When the merger discussions began, a new student center was under construction, and plans were well along to construct a new classroom building and an addition to the chemistry building. Interim financing by the state enabled this construction to move forward. A residence hall for 480 students was being planned. By 1964 all of this construction, amounting to about $10 million, was completed. All other additions to campus space have either been temporary structures or space rented in buildings adjacent to the campus. No department feels that it is adequately housed.

ENDOWMENT AND FUND RAISING

Gifts to the institution have declined substantially. Prior to the merger, annual gifts amounted to about $2 million a year (including bequests). Virtually no income is now obtained from this source. The planned bequests of many individuals were withdrawn when the merger was announced. Unrestricted gifts from alumni were running at an annual rate of about $150,000 in 1960. Since that time only about $80,000 in unrestricted funds has come in.

EVALUATION OF THE MERGER

The ability of the state to provide quality graduate and undergraduate education as well as to conduct research has been served well by the merger. The advance of the State University to a position of strength at the graduate level was moved ahead many years.

The following calculation may be useful in assessing the wisdom of the transfer. Let us assume that instead of putting the University within the SUNY structure, a decision had been made to maintain the private status **but to provide sufficient funds to enable it to progress rapidly toward first-class university status,** as has in fact been the effect of the takeover. In that case we would be justified in assuming that the total operating costs under private control would have been approximately the same over this recent period. This total comes to $170 million. As a private university, Buffalo could have been expected to receive $103 million in tuition and $19 million in other income assuming a $100 a year increase in tuition and a 10% annual increase in other income. Table G-1 below displays the related data.

Table G-1

COMPARISON OF INCOME AND EXPENDITURES, ACTUAL SUNY-BUFFALO AND HYPOTHETICAL PRIVATE-BUFFALO, 1961-67

(in millions of dollars)

	SUNY–Buffalo	Private–Buffalo
Income		
Tuition	$ 39.0[a]	$103.0
Sponsored research	43.0	43.0
Endowment income	9.0	9.0
Other non-appropriated	10.0	19.0
	$101.0	$174.0
Expense		
Instruction	$ 170.0[b]	$170.0
Sponsored research	43.0	43.0
Other non-appropriated	10.0	19.0
	$ 223.0	$232.0
Deficits	$(122.0)	$(58.0)

a Income credited to construction fund.
b State appropriation.

The above calculation indicates that over the six-year period $58 million would have been required to sustain the University at the desired level as compared to the $122 million required for public operation. However we doubt that it would have been possible to maintain the private status of the institution while it was receiving such large amounts of state aid.

The merger also provided the impetus for State University officials in cooperation with officials in the various state agencies to work diligently in creating new personnel policies, new policies of purchasing and of providing physical facilities. These did not emerge solely because Buffalo was merged into the State University system, but the merger did give significant added motivation to change many of the State University and state policies.

State University at Buffalo is now a major unit of the state system. It is attracting staff of recognized scholarship. Its student body is continuing to increase in quality and is becoming more cosmopolitan in character. The State of New York and society as a whole have benefited from the merger.

Exhibit G-1

PROGRAMS DISCONTINUED SINCE MERGER

BA –Museum–Museum Administration
BA –X-Ray Technology
AAS–Secretarial Service
Real Estate & Insurance
Retailing
Traffic & Transportation
Industrial Technology
Electrical Technology
Design & Analysis Technology
Heat & Power Technology
Commercial Design
Fine Arts
Engineering Aide

Exhibit G-2

NEW DEGREE PROGRAMS

Degree Offerings	Offerings at Time of Merger	Offerings Added Since Merger
American Studies	B.A., M.A.	
American Studies and English	B.A.	
Anatomy	M.A., Ph.D.	
Anthropology	B.A., M.A., Ph.D.	
Applied Music	B.F.A.	
Art	B.F.A.	
Art History	B.A., B.F.A.	
Bacteriology & Immunology	M.A., Ph.D.	
Biochemistry	M.A., Ph.D.	
Biology	BA., M.A., Ph.D.	
Biophysics	Ph.D.	
Business Administration	B.S., M.B.A., Ph.D.	
Chemistry	BA., M.A., Ph.D.	
Classics	B.A., M.A.	Ph.D.
Comparative Literature		M.A., Ph.D.
Computer Science		M.A., Ph.D.
Dentistry	D.D.S.	
Drama & Speech	B.A.	
Speech Pathology	M.A.	Ph.D.
Oral Communication & Public Address		M.A.
Economics	B.A., M.A., Ph.D.	
Education		
Adult Education	Ed.M.	
Art Education	Ed.M.	
Business Education	Ed.B., Ed.M.	
College Student Personnel Work	Ed.M., Ed.D.	
Curriculum Planning	Ed.D.	
Early Childhood Education	Ed.B., Ed.M.	
Educational Administration	Ed.M., Ed.D.	Ph.D.
Educational Foundations		Ed.M., Ed.D.
Educational Psychology		Ph.D., Ed.D.
Educational Research & Evaluation	Ed.D.	Ph.D.
Elementary Education	Ed.B., Ed.M., Ed.D.	
Elementary School Administration	Ed.M., Ed.D.	
English Education	Ed.M.	Ed.D.
General Administration	Ed.D.	
Guidance & Student Personnel Services	Ed.M., Ed.D.	Ph.D.
Health Education		Ed.D.
Health, Physical Education & Recreation	Ed.B., Ed.M., Ed.D.	
Higher Education	Ed.M., Ed.D.	Ph.D.
Instructional Communication		Ed.M.
Language Education		Ed.M., Ed.D.
Mathematics Education		Ed.M., Ed.D.
Music Education	Ed.M.	
Problems in American Life	Ed.B.	
Reading Education		Ed.M., Ed.D.
Rehabilitation Counseling	M.S., Ed.M.	Ed.D.
School Counseling		Ed.D.
Science Education	Ed.M., Ed.D.	
Secondary Education	Ed.D.	
Secondary School Administration	Ed.M., Ed.D.	

Degree Offerings	Offerings at Time of Merger	Offerings Added Since Merger
Education (continued)		
Secondary School Counseling	Ed.M.	
Social Studies Education		Ed.M., Ed.D.
Speech Therapy		Ed.M.
Teacher Education		Ed.M.
Teaching of Business Subjects in Secondary Schools	Ed.M.	
Teaching of English in Secondary Schools	Ed.M.	
Teaching of Health	Ed.B.	
Teaching of Languages in Secondary Schools	Ed.M.	
Teaching of Mathematics in Secondary Schools	Ed.M.	
Teaching of Science in Secondary Schools	Ed.M.	
Teaching of Social Studies in Secondary Schools	Ed.M.	
Vocational Education	Ed.B., Ed.M., Ed.D.	
Engineering*		
Chemical Engineering		B.S., M.S., Ph.D.
Civil Engineering	B.S., M.S., Ph.D.	
Engineering Mechanics	Ph.D.	
Electrical Engineering	B.S., M.S.	
Systems Engineering	Ph.D.	
Industrial Engineering	B.S., M.S.	
Operations Research	Ph.D.	
Interdisciplinary Studies & Research	B.S.	
Aero-Space Engineering		M.S., Ph.D.
Engineering Science		M.S., Ph.D.
Nuclear Engineering		M.S.
Mechanical Engineering	B.S., M.S.	Ph.D.
Engineering Mechanics		Ph.D.
Systems Engineering		Ph.D.
English	B.A., M.A., Ph.D.	
French Language & Literature		M.A., Ph.D.
Geography	B.A., M.A.	
Geological Sciences	B.A., M.A.	
German Language & Literature	M.A.	Ph.D.
Health Related Professions		
Medical Technology	B.S.	
Occupational Therapy	B.S.	
Physical Therapy	B.S.	
History	B.A., M.A., Ph.D.	
Interdisciplinary		
Natural Sciences	M.S.	
Social Sciences	M.S.	
Humanities	M.A.	
Law	LL.B.	
Library Studies		M.S.
Mathematics	B.A., M.A., Ph.D.	
Mathematical Statistics		M.A., Ph.D.
Medical Sociology		Ph.D.

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*Also B.S. in Engineering and B.A. in American Studies (5-year combined program.)

Degree Offerings	Offerings at Time of Merger	Offerings Added Since Merger
Medicine	M.D.	
Modern Languages	B.A.	
Modern Languages & Literature	M.A.	
Music	B.A., M.A., Ph.D.	
Music Composition		B.F.A.
Music Education	B.F.A.	
Music, Sacred	B.F.A.	
Nursing	B.S., M.S.	
Nursing, General	B.S.	
Oral Biology		Ph.D.
Orthodontics		M.S.
Pathology, Experimental		M.A., Ph.D.
Pharmacology		Ph.D.
Pharmacy	B.S. (5 years)	
Medicinal Chemistry	M.S., Ph.D.	
Biochemical Pharmacology		M.S., Ph.D.
Pharmaceutics		M.S., Ph.D.
Philosophy	B.A., M.A., Ph.D.	
Physics	B.A., M.A., Ph.D.	
Physiology	M.A., Ph.D.	
Political Science	B.A., M.A., Ph.D.	
Psychology	B.A., M.A., Ph.D.	
Rehabilitation Counseling	M.S.	
Russian		B.A.
Social Welfare	M.S.W.	B.S.
Sociology	B.A., M.A., Ph.D.	
Spanish Language & Literature		M.A., Ph.D.
Statistics*		B.A.
Roswell Park Division		
Biochemistry	M.A., Ph.D.	
Biology	Ph.D.	
Biophysics	Ph.D.	
Biostatistics	M.S.	
Chemistry	M.A., Ph.D.	
Microbiology	M.A., Ph.D.	
Pharmacology	M.A., Ph.D.	
Physiology	Ph.D.	
Teachers of Mathematics		M.S.
University College	A.A.**, A.A.S.**	
Business Methods	A.A.S.**	
Design & Analysis Technology***	A.A.S.**	
Electrical Technology***	A.A.S.**	
Heat Power Technology***	A.A.S.**	
Industrial Technology***	A.A.S.**	
Real Estate & Insurance	A.A.S.**	
Secretarial & Office Methods	A.A.S.**	
Traffic & Transportation***	A.A.S.**	

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*Approved but not offered this year.

**Except for Secretarial and Office Methods, entering students are not accepted into these programs, as day programs, any longer. If all requirements are met, however, the associate degree may be awarded. All of the associate degree programs are planned to be under the jurisdiction of Millard Fillmore College only within the next couple of years.

***These programs have always been offered only through Millard Fillmore College. The first four are not presently active and are to be replaced by a single program in Electro-Mechanical Technology.

Appendix H

STUDENT AID PAYMENTS

Over the six-year period 1961-62 through 1966-67, the State of New York provided approximately $97.5 million in Scholar Incentive funds to students enrolled in private schools. During this same period student aid payments provided by the schools from their own funds also increased substantially. Table H-1 below gives an indication of the trend of expenditures for student aid.

Table H-1

STUDENT AID PAYMENTS AT TWENTY PRIVATE
COLLEGES AND UNIVERSITIES IN NEW YORK STATE, 1961-66

(in thousands of dollars)

College	1961	1962	1963	1964	1965	1966
1	$ 193	$ 184	$ 216	$ 222	$ 200	$ 309
2	125	145	170	160	190	178
3	27	32	43	62	78	96
4	183	194	190	285	332	306
5	85	103	103	146	198	192
6	44	8	14	33	14	21
7	88	108	119	160	190	265
8	20	37	19	21	27	31
9	0	0	0	0	0	5
10	279	285	322	431	480	656
11	181	314	415	531	662	1,110
12	846	868	888	1,073	1,070	1,281
13	75	110	122	147	71	191
14	1,121	1,390	1,728	1,926	2,385	2,540
15	279	349	417	443	430	482
16	333	522	636	783	854	960
17	15	22	36	56	71	33
18	1,846	1,858	2,164	2,225	2,650	2,891
19	886	933	1,221	1,488	1,306	2,194
20	290	394	490	558	674	732
Total	$6,916	$7,856	$9,313	$10,750	$11,882	$14,473

Appendix I

COMMISSION ON INDEPENDENT COLLEGES AND UNIVERSITIES

The Commission on Independent Colleges and Universities is part of the Association of Colleges and Universities of the State of New York. The Commission's 15 members now represent 111 of the state's private institutions of higher education (the Association represents both the public and private sectors). It was formed by a resolution of the entire Association in December 1956 and became operational early in 1957 as an entirely voluntary group, neither chartered nor supported by the state.

The Commission "has been formed to insure the youth of our State adequate educational opportunity. It proposes to study, discuss and represent before appropriate authorities the special problems, responsibilities and contributions of the private institutions within the total framework of higher education in New York State.

"The principal objectives of the Commission are to insure effective cooperation with the tax-supported institutions, and to unify, channel and make articulate the vast resources of private higher education. It seeks to work constructively under the leadership of the Board of Regents within the traditional pattern of the University of the State of New York in meeting the problems that lie ahead."

The 15 members are selected for a three-year term on the following basis: (a) five from colleges and junior colleges with enrollment up to 1,000; (b) five from colleges and universities of total enrollment 1,001-5,000; (c) five from colleges and universities of total enrollment 5,001 plus. Location and type of school are also considered. The Commission has "power to act freely and independently within the scope of its authority and budget as determined by the Executive Committee on the Association . . . ."

The Commission is financed by an annual assessment on each independent college member of the Association (in addition to the graduated annual assessment levied on each member for the general support of the Association). The assessment is determined by the Executive Committee of the Association after review of the annual budget recommended by the Commission. Funds are collected and controlled by the Treasurer of the Association. Currently, member institutions of the Commission are paying dues ranging from $150 to $850 annually, the amount varying with the size of institution.

Appendix J

MOBILITY OF GRADUATES OF GRADUATE SCHOOLS IN NEW YORK STATE

This memorandum summarizes the available data on advanced degrees conferred and the extent to which students taking graduate work in New York State remain in the state after completion of their studies.

For the 1965-66 academic year beginning July 1, private institutions in New York awarded 19,038 master's degrees and doctorates. Of these, 14,128 or 74.2% were conferred by six universities, as shown in Table J-1 below.

Table J-1

EARNED MASTERS AND DOCTORATE DEGREES CONFERRED IN NEW YORK STATE INSTITUTIONS

	July 1, 1965 – June 30, 1966	
	Number of Degrees	Percentage of All Degrees in Private Schools
TOP SIX SCHOOLS	14,128	74.2%
Columbia University[a]	6,434	33.8
New York University	3,843	20.2
Syracuse University	1,362	7.1
Cornell University	1,241	6.5
Fordham University	684	3.6
University of Rochester	564	3.0
Total all earned degrees conferred (masters and doctorates) to private colleges	19,038[b]	

[a] Includes Teachers College which awarded 1,632 master's and doctorates.

[b] Master's – 16,259; doctorates – 2,779.

Source: Association of Colleges and Universities of the State of New York – unpublished figures.

A recent study by the National Research Council examined the mobility patterns of all doctorate recipients throughout the country.* The report indicates that between 1960 and 1966, 11,793 students received doctoral degrees in New York State. This was approximately 12.5% of the total of 94,000 awarded throughout the nation during the same period.

New York is bettered only by California in the extent of its "holding power," where 42.4% of its graduates accept their initial postdoctoral employment in that state. The comparative figures for the period 1960-66 appear in Table J-2 below.

Table J-2

ACCEPTANCE OF INITIAL POSTDOCTORAL EMPLOYMENT IN STATE WHERE DEGREE WAS CONFERRED, 1960-66

State	Initial Employment		Total Number of Doctorates Awarded
	Percent	Number	
California	42.4%	4,121	9,718
New York	35.2	4,152	11,793
Pennsylvania	34.7	1,778	5,031
Ohio	31.7	1,156	3,650
Massachusetts	28.1	1,849	6,577
Michigan	26.2	1,301	4,969
Illinois	23.1	1,606	6,959
Indiana	17.2	762	4,442

Between 1958 and 1966, 5,506 of 14,596 graduates awarded doctorates by New York State institutions, or 34.6%, were employed in New York immediately after obtaining their degrees. The employer categories are listed in Table J-3 page 152.

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*The Council does not separate figures for public and private institutions.

Table J-3

LOCATION AND TYPE OF INITIAL POSTDOCTORAL EMPLOYER FOR NEW YORK DOCTORATES, 1958-66

	Type of Initial Postdoctoral Employer														
	Education (Elementary, Secondary and College)			Government			Industry			All others			Totals		
Field of Doctorate	New York	Non-New York	Unknown	New York	Non-New York	Unknown	New York	Non-New York	Unknown	New York	Non-New York	Unknown	New York	Non-New York	Unknown
Physical Sciences	677	659	140	37	86	17	403	780	130	92	363	397	1,209	1,888	684
Biological Sciences	332	385	114	34	93	13	34	65	18	81	346	212	481	889	357
Social Sciences	680	637	165	173	139	40	83	59	19	282	362	356	1,218	1,197	580
Arts and Humanities	713	810	188	5	16	4	15	3	0	44	121	349	777	950	541
Professional Fields	75	161	33	5	9	4	31	7	7	21	76	91	132	253	135
Education	1,047	950	482	58	70	23	17	14	4	117	249	274	1,239	1,283	783
Total All Fields	3,524	3,602	1,122	312	413	101	583	928	178	637	1,517	1,679	5,056	6,460	3,080
Percentage of All Doctorates Employed in New York	24.1%			2.1%			4.0%			4.4%			34.6%		

Source: National Research Council, Office of Scientific Personnel, Doctorate Records File, unpublished figures.

Another important consideration is the extent to which graduate students who are really New Yorkers remain in the state after completion of their doctorate. In this respect the holding power of the state is very impressive.

A survey of 5,012[*] students who obtained a high school diploma in New York State and who also obtained a doctorate from an institution in the state shows that 3,031, or 60.5%, accepted their first postdoctoral employment within the state.

The remaining 39.5% were scattered throughout the nation. Table J-4 below lists those states receiving the greatest number.

Table J-4

State of Initial Postdoctoral Employment For New York High School Diploma and Doctorate Recipients by Broad Field of Doctorate, 1958-66

State	Physical Sciences	Biological Sciences	Social Sciences	Arts and Humanities	Professional Fields	Education	Total	
							Number	Percent
New York . .	658	242	772	475	68	818	3,031	60.5%
New Jersey . .	226	31	74	38	8	58	435	8.7
Pennsylvania .	59	16	33	28	7	29	172	3.4
California . .	86	19	31	20	1	15	172	3.4
Foreign . . .	46	30	15	13	1	11	116	2.3
Illinois . . .	37	10	17	11	2	16	93	1.9
District of Columbia .	27	11	30	9	3	8	83	1.8

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[*] The total population in this category is 5,700; however, the whereabouts of 758 persons is unknown.

Appendix K

DIGEST OF THE MARYLAND CASE[a]

Horace Mann League of the United States of America, Inc., et al, v. *Board of Public Works of Maryland et al.:*
Court of Appeals of Maryland, June 2, 1966[b]

Maryland grants for construction of dormitories and classroom buildings at church-affiliated colleges that are "sectarian" violate the First Amendment's Establishment Clause.

To make out a First Amendment violation it must be demonstrated that the statutes under which these grants to particular church-affiliated colleges were made resulted in the use of the state's coercive power to aid religion. When the power, prestige, and financial support of government is placed behind a particular religious belief, the indirect coercive pressure upon religious minorities to conform to the prevailing officially approved religion is plain. Not every religious observance by an institution sectarianizes it; rather, the question of sectarianization depends upon a consideration of the observances, themselves, and the mode, zeal, and frequency with which they are made. It is a question of degree as to how far all religions or a specific religion may be benefited by state action without the state stepping out of its role of complete neutrality, and state action losing its character as being incidental to lawful general welfare legislation.

In determining whether an educational institution is sectarian the following facts are significant: (1) The stated purpose of the institution; (2) the college personnel, including the governing board, administrative officers, faculty, and student body; (3) the college's relationship with religious groups, including the extent of ownership, financial assistance, affiliations, religious purposes, and miscellaneous aspects of the college's relationship with its sponsoring church; (4) the place of religion in the college's program; (5) the result or outcome of the college program, such as accreditation and the nature and character of the activities of the alumni; and (6) the work and image of the college in the community.

One of the grants challenged is to Hood College, an independent liberal arts college for women that is church-related through its affiliation with United Church of Christ. However, it welcomes students of all religious faiths. There is no requirement that any member of the administration be of any particular religious denomination, and, in fact, the administration does not represent any particular church or religious body. The student body is primarily selected according to educational records supplied by the students and by the schools from which they come; there is absolutely no requirement based on race, creed, color, or sectarian affiliation in the student body. None of the courses offered, including those in the department of religion and philosophy, is geared to aiding the Protestant religions or any other; there is absolutely no attempt at indoctrination in any way.

The United Church of Christ contributed but 2.2 percent of the college's total operating budget and contributed nothing in the way of capital gifts with the exception of one gift of $10,000 for endowed scholarships.

In such circumstances, Hood, although it is a church-related school, may constitutionally receive state grants. It cannot be said to be "sectarian" in a legal sense or to a degree that renders the grant invalid under the First Amendment. The college's stated purposes in relation to religion are not of a fervent, intense or passionate nature, but seem to be based largely upon its historical background. Thus, the primary purpose of the grant to Hood College was not to aid or support religion.

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[a] Source: Quotation from 34 *The United States Law Week* 2688 (June 14, 1966).

[b] 242 Md. 645 (1966).

The same may not be said of the statutory grants to Western Maryland College, Notre Dame College, and St. Joseph College. The first is affiliated with the Methodist Church. All its presidents have been Methodist ministers, many of the students become seriously interested in religion for the first time while attending the college, limited scholarships are given to the children of Methodist ministers, scholarships are awarded to pre-ministerial students, the college campus is made available to Methodist organizations, preference is given to "borderline cases" of the Methodist denomination in student body selection, and the basic purpose of the college is to provide the best in higher education "within the framework and emphasis of the verities and values of our Christian faith." It cannot seriously be argued that a grant of tax-raised funds to such an institution would not be "to support . . . religious activities or institutions, whatever they may be called or whatever form they may adopt to teach or practice religion."

Notre Dame and St. Joseph are both Catholic colleges. The stated purposes of both are strongly religious. The governments and administrations of the colleges are under the control of religious orders. The faculties are chosen with a view to achieving the religious ideals of the colleges and preference is given to Catholics. The student bodies include candidates for religious orders and have consistently been virtually 100 percent Catholic. Supplementary uses of the campuses have been exclusively by Catholic religious groups. The physical surroundings are strongly religious. Religious observance is strongly Catholic, richly textured, and extensively participated in. Supplementary instructional programs are strongly Catholic, as are the images of the colleges in their communities.

These facts speak for themselves and clearly show that the operative effect of the grants to these Catholic colleges demonstrates, in a legal and constitutional sense, a purpose to use the state's coercive power to aid religion.—Prescott, Ch.J.

Dissent. The decisive issue is whether state financial assistance to secular educational facilities of a college that is sponsored or controlled by a church or religious order and in which there is a religious atmosphere amounts to the establishment of religion under the First Amendment. The grants under consideration were made pursuant to long-established practice to further a secular public purpose and any aid or benefit flowing from them to religion would be slight, vague, and purely incidental. The grants will not aid religion or religious groups; those who attend college are or are not, at that age, religiously inclined and, if they are, have, in almost all cases, become attached to a particular faith.

There is no reasonable alternative to state aid to private institutions of higher learning.—Hammond, Horney, and Marbury, JJ.